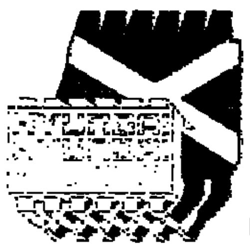
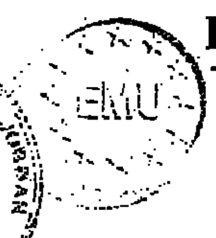
FINANCIAL TIMES

Japanese politics
Islands dispute hits a nationalist nerve
William Dawkins, Page 10

Eco-innovation
Bringing green technology to market
Environment, Page 19



Hyundai
Why its chips are on Scotland
Page 8



Emu and budgets
Okay for 1997, but what about 1998?
Page 2

World Business Newspaper http://www.FT.com WEDNESDAY OCTOBER 9 1996

IRA admits it bombed Ulster army centre

The Irish Republican Army last night admitted it mounted Monday's double bomb attack on British Army headquarters in Lisburn, Northern Ireland. The IRA claim of responsibility came hours after Sinn Féin, its political wing, had warned of more attacks in Northern Ireland if the "political vacuum" was not filled by meaningful talks. Pro-British "loyalist" paramilitaries were meanwhile considering their response to the attack. Page 8

Dutch in dawn raid: Dutch publishing and information group VNU snapped up a 14.99 per cent stake in UK exhibitions organiser Blenheim in a dawn raid, but said it had no immediate plans to bid. Page 13

German union's offer: German engineering union IG Metall offered to trade new jobs for higher wages at the start of what are expected to be tough wage negotiations. Page 2

French journalists warned: The Gaullist leader in France's National Assembly threatened journalists with possible legal action, accusing them of trying to intimidate deputies into maintaining a special tax break for the press. Page 3

Customs scandal hits Argentina: President Carol Menem was preparing to broadcast to Argentines after a huge tax evasion scandal broke. The smuggling scheme involved goods worth $10bn and cheated the government of $3bn – half this year's deficit.

Pope has operation: Pope John Paul had his appendix removed in an operation that found no sign of a tumour or other serious illness.

Envoy hits at Manila contracts: Britain's ambassador in Manila complained that the Philippines' legal system posed serious problems for foreign investors. Adrian Thorpe was commenting after a series of cases where losing Philippine bidders have managed to freeze or annul winning foreign companies' contracts through the local courts or political system. Page 5

Burmese move: Burmese opposition leader Aung San Suu Kyi said she was ready to resume her recently aborted weekly public gatherings after the military junta removed checkpoints barring access to her house. Page 4

Tax loophole plugged: The UK government abolished tax benefits to shareholders of companies offering share buyback schemes. Media group Reuters immediately postponed an innovative £600m ($935m) payback deal. Page 7

Taliban rejects criticism: A leader of Afghanistan's militant Islamic Taliban movement dismissed UN and western criticism of its policies towards women, who have been forbidden to go out to work. Warlords meet, Page 6; Kabul confusion, Page 10

International call charges from the UK are set to fall steeply as moves to promote competition take effect. Energis, third largest UK operator, announced a 10p (16c) a minute rate to the US for business customers spending more than £150 ($235) a month. Page 7

Venezuela privatisation: Venezuela expects to earn $4bn-$5bn by selling government shares in telecoms, aluminium and iron companies, finance minister Luis Matos Azocar said. The proceeds will go towards repaying foreign debt.

Canadian, Briton, win economics prize:

British professor James Mirrlees (above) and Canadian William Vickrey of New York's Columbia University share the $1.12m 1996 Nobel Economics Prize for their work on "assymetric information" – situations when two parties involved in a decision do not have the same facts. Page 12; Simon Bolivar Prize, Page 4

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,991.74	(+11.93)
NASDAQ Composite	1,248.86	(-2.01)
Europe and Far East		
CAC40	2,161.54	(+8.99)
DAX	2,591.17	(-11.47)
FTSE 100	4,035.6	(+4.1)
Nikkei	21,038.53	(-122.48)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.103%
Long Bond	98½
Yield	6.761%

OTHER RATES

UK: 3-mo Interbank	5¾%	(same)
UK: 10 yr Gilt	100½	(100½)
France: 10 yr OAT	103.98	(103.53)
Germany: 10 yr Bund	101.6	(101.51)
Japan: 10 yr JGB	101.8322	(101.7957)

NORTH SEA OIL (Argus)

Brent Dated	$24.67	(24.185)

GOLD

New York Comex (Dec)	$383.4	(382.6)
London: close	$381.0	(380.45)

DOLLAR

New York: lunchtime		
£	1.56285	
DM	1.5273	
FFr	5.1665	
SFr	1.25155	
Y	111.325	
London:		
£	1.5632	(1.5638)
DM	1.5272	(1.5394)
FFr	5.1615	(5.1722)
SFr	1.26	(1.2556)
Y	111.275	(111.26)
Tokyo close:	Y111.2	

STERLING

DM	2.3872	(2.3831)

Albania	Lek 275	Gibraltar	£0.75	Lithuania	Lts 18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$30	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kč70	India	Rs70	Nigeria	Naira125	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y600	Pakistan	Rs50	Syria	S£80.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils750	Portugal (mainland)	Esc265	Turkey	L120,000
Germany	DM4.00	Lebanon	LL3500			UAE	Dh13.00

Chernomyrdin move seen as vote-winning bid

Russian PM vows to hold cost of energy

By Chrystia Freeland in Moscow

Mr Victor Chernomyrdin, the Russian prime minister, yesterday promised to freeze or even cut energy prices to help hard-pressed local governments build up adequate stocks for winter.

The premier's pledge, part of an address to parliament's upper house, was widely viewed as his latest move in an increasingly overt contest for the presidential succession being fought by the country's leading politicians.

Mr Chernomyrdin – who has inherited many of President Boris Yeltsin's responsibilities while the Russian leader prepares for a heart bypass operation – said the state was likely to slash electricity rates by at least 10 to 15 per cent, and freeze the cost of natural gas at its current level.

The move would be a sure vote-winner among ordinary Russians who are struggling to cope with energy prices that have been slowly climbing towards world levels after being kept artificially low.

It may also be discreetly supported by Gazprom, Russia's natural gas monopoly, which has long justified its failure to pay all its taxes on the grounds that it provides cheap fuel to the nation.

In the same speech, Mr Chernomyrdin – who would take over the Kremlin for three months if the president were to die or be incapacitated - reined in one of his most daunting rivals, Mr Alexander Lebed, the Russian security chief. Mr Lebed, who spent the

Nato ready to negotiate on arms cuts ....Page 12

day visiting Nato headquarters in Brussels, won international praise this summer for negotiating a ceasefire in Chechnya in a deal which postponed a decision on the break-away region's political status for five years.

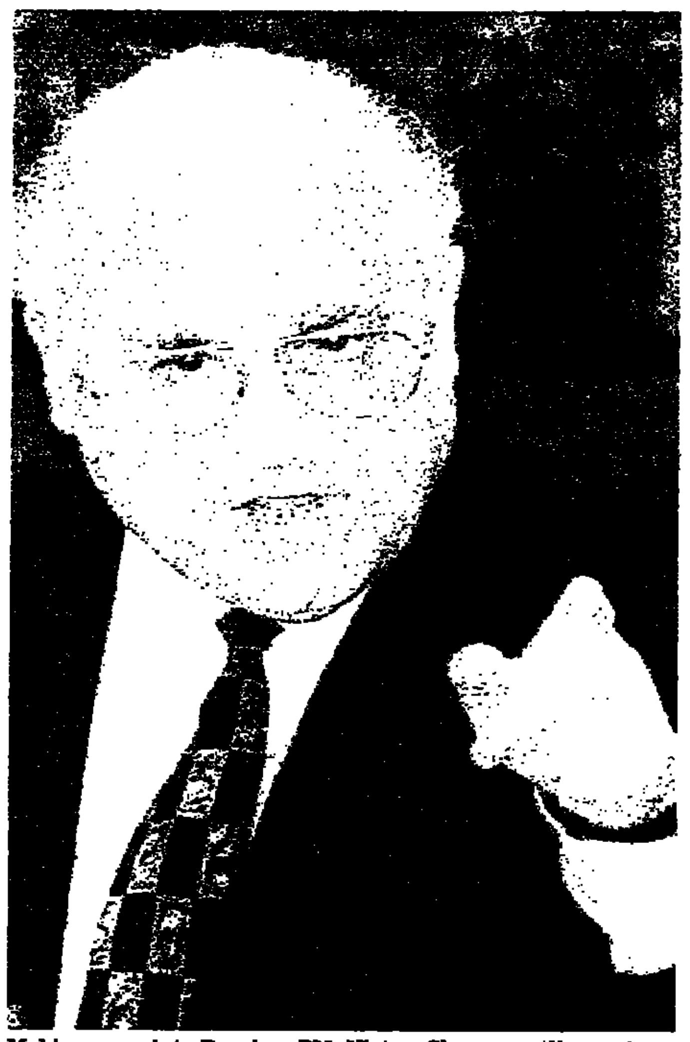
But Mr Chernomyrdin yesterday insisted that Chechnya's independence from Russia was "not up for bargaining" and reminded lawmakers that Mr Lebed's truce was merely a repetition of a similar lull in the fighting which the premier himself had arranged last year.

The two men came under fire from Mr Yuri Luzhkov, the mayor of Moscow and the third leading contender in Russia's unofficial presidential race.

In a hard-hitting interview in Komsomolskaya Pravda, a Russian daily, Mr Luzhkov scolded the premier for lacking "a state strategy for the economy".

He was even tougher with Mr Lebed, lashing out at the former general for signing an agreement in Chechnya "under the diktat of bandits". He also attacked him for

Continued on Page 12



Making a point: Russian PM Victor Chernomyrdin gestures during his speech yesterday

Picture: Associated Press

US group ends its last links with tobacco

By Richard Tomkins in New York

American Brands, the US consumer products group, is to cut its last links with the tobacco industry by spinning off Gallaher, Britain's biggest cigarette maker, to shareholders.

The US company is also changing its name to Fortune Brands to expunge any memories of the tobacco connection. Its shares jumped $3½ to $48⅛, a rise of 8 per cent, in early trading after the announcement yesterday.

American Brands' move reflects the growing pressures on the US tobacco industry as lawyers, anti-tobacco campaigners and state attorneys pursue billions of dollars' worth of lawsuits against cigarette manufacturers.

American Brands quit the US tobacco industry at the end of 1994 when it sold American Tobacco to Britain's BAT Industries for $1bn, but it retained the UK-based Gallaher, maker of Britain's two top-selling cigarettes – Benson & Hedges and Silk Cut.

Wall Street analysts say this caused confusion in the stock market. "Investors could not get it into their heads that American Brands was no longer a US tobacco company, and its stock price suffered," said Mr Roy Burry, an analyst at Oppenheimer & Co.

Unusually, the transaction – expected to take up to 10 months to complete – means that American Brands shareholders will end up owning a British quoted company as well as an American one.

Fortune Brands will be quoted on the New York Stock Exchange and Gallaher will be quoted on the London Stock Exchange. US shareholders will receive their Gallaher shares in the form of American Depositary Receipts. Gallaher is likely to be worth more than $3.43bn (£2.2bn) after it is floated in London.

American Brands makes a large assortment of consumer products. Its best-known brands include Jim Beam bourbon, Whyte & Mackay whisky, Master Lock padlocks, ACCO paper clips, Titleist golf balls and Cobra Golf clubs.

Lex ....Page 12

Last year the non-tobacco operations made net profits of $122.4m on sales of $4.38bn. Gallaher did much better, making net profits of $231.5m on sales of $4.08bn, but the non-tobacco side is the faster-growing of the two.

Mr Thomas Hays, American Brands' chairman and chief executive, said the spin-off would allow the markets "to appreciate more fully the strong growth potential of the powerful brands that will make up Fortune Brands' business".

Fortune Brands would aim for long-term earnings per share growth of 13-15 per cent a year without Gallaher, Mr Hays said – substantially

Continued on Page 12

UK metals exchange aims to increase powers

By Kenneth Gooding in London

The London Metal Exchange is to call for changes to Britain's Financial Services Act in the wake of the Sumitomo copper scandal, to give the exchange tighter control over traders and powers to insist members provide more details about trading activities.

Mr Raj Bagri, the LME chairman, last night insisted that Sumitomo's claim that unauthorised activities by its chief copper trader, Mr Yasuo Hamanaka, had cost it $2.6bn (£1.7bn) was "yet one more example of the long and growing catalogue of failures by companies to exercise proper management control".

Mr Bagri was speaking at the LME's annual dinner during "Metals Week" in London.

He said that, although Sumitomo was using the exchange to trade millions of dollars' worth of copper, the LME had no jurisdiction over the Japanese group. Neither did it have authority over Winchester Metals, a UK company that traded on Sumitomo's behalf but was not an LME member. Winchester once claimed it was responsible for more than 10 per cent of LME copper trading.

Mr Bagri said the LME wanted changes to the Financial Services Act so that "any UK-based entity which actively trades in LME business be required to be an LME member – removing the opportunity for them to stay outside of the regulatory reach of the LME".

He also pointed out that the LME's investigations into the copper market last year – when it was in turmoil because of a battle between Mr Hamanaka, who was trying to keep the price up, and some US hedge funds that were trying to push it down – were frustrated by a lack of information and jurisdiction in the "over the counter" and underlying cash market.

"These difficulties could be mitigated in part by the LME being provided with details of the over-the-counter positions of LME members and of their clients," along with details of the metals stocks they controlled in LME warehouses.

Mr Bagri said that, while the LME needed to provide improved transparency, this would not be achieved by over-regulation. "There is a fine line to be drawn between need and greed and between legitimate surveillance and over-regulation. Over-regulation would drive the over-the-counter market to more exotic regions like Caribbean beaches or snow-capped mountains."

Mr Bagri acknowledged that the composition of the LME board probably needed to be changed to remove perceptions that there might be possible conflicts of interests.

He said this would involve reducing the number of exchange broker members on the board and increasing the number of independent directors.

Law move prompts Intel to end statements on future

By Louise Kehoe in San Francisco

Intel, the world's largest semiconductor manufacturer, will no longer provide information about its future business prospects, in a move to protect itself from potential lawsuits.

The company, one of the biggest high technology groups in California's Silicon Valley, is the first to take such action over a proposed state law which would make it easier for shareholders to sue companies for securities fraud.

Intel said it would eliminate all "forward-looking statements" about its financial prospects in public statements and discussions with Wall Street analysts, and would only discuss past performance. The company has cancelled a meeting with analysts scheduled for the end of the month.

Proposition 211, if passed when Californians cast their presidential votes in November, "could significantly increase the exposure to frivolous stockholder lawsuits for all companies with a California presence," Intel said. The measure would "render useless" federal law reforms last year that limited the liabilities of publicly held companies.

That law enabled companies to protect themselves against shareholder lawsuits by adding a "safe harbour" statement to any discussion of future performance. Such statements typically include risk factors that might have a negative effect on financial performance.

The proposed Californian law would eliminate the protection, enabling shareholders to sue companies in state courts if they believed that statements by a company had been misleading. The measure would also make officers and directors personally liable in claims against a company.

Mr Kirk West, co-chairman of Taxpayers Against Frivolous Lawsuits, a coalition of industry and community groups opposed to Proposition 211, said: "Other publicly traded companies will surely follow Intel's lead." He added: "This means less information on which investors can base their investment decisions."

Intel said it regretted not being able to offer more information to shareholders about its fast-changing business. Although the passage of the measure was uncertain, the group did not intend "to assume the risk of making forward-looking statements concerning the company's business outlook".

High-technology companies have been particularly vulnerable to shareholder lawsuits because their stocks are volatile. Hundreds of companies were hit with shareholder suits prompted by unexpected swings in their stock prices before the federal law reform.

Securities analysts expressed disappointment at Intel's move. "It will make our jobs tougher," said Mark Edelstone, a semiconductor industry analyst at Prudential Securities.

Supporters of the proposal dismissed Intel's action as "a public relations stunt".

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

NEWS: EUROPE

Are EU states engaging in creative accounting to qualify for a single currency?

Emu, lies, damned lies and statistics

Europe's statisticians do not usually like the limelight. Now they have particular reason to remain reclusive. They are soon to meet officials from European governments about one of the most sensitive statistical questions: the way governments are measuring their debts and deficits to qualify for a single European currency.

The discussions are controversial, given widespread suspicions that governments are engaging in "creative accounting" to improve their finances.

This concern resurfaced earlier this week when Mr Hans Tietmeyer, president of the Bundesbank, added his voice to scepticism about some countries' budgetary strategies.

"It is important in the selection [of Emu participants] that the member countries do not just reach the criteria through a breathless short-term effort with one-off results quickly cobbled together," he said.

The single currency criteria were initially established to guarantee long-term "sustainable" deficit reductions, but some countries appear to be trying to reduce their deficits by using one-off measures that flatter the 1997 figures – the data that will be used to decide the Emu members.

The French budget, for example, is to be boosted by a one-off, anomalous FFr37.5bn ($7.2bn) payment from the partial privatisation of France Telecom – even though privatisation is not, in general, supposed to be counted in deficit reductions.

The Italians have used L12,000bn ($7.9bn) of ambiguous "treasury operations" to bring its budget deficit forecast towards 3 per cent of gross domestic product in 1997, as required. As Mr Romano Prodi, Italian prime minister, recently said: "If the French can get away with it, then we can show them a trick or two as well."

The Belgians have also used one-off, short-term items such as a BFr222bn ($7bn) surplus on central bank gold sales. The Spanish have made their budget projection by assuming GDP growth of 3 per cent next year – a level most think too optimistic.

While these dodges are striking, what is less well known is that they are neither unique or new.

For long running – and secretive – negotiations on the topic have been occurring across the European Union for several years.

The focus for this has been Eurostat, the Luxembourg-based statistical wing of the European Commission.

The Commission has ultimate responsibility for measuring the convergence numbers. But it is Eurostat officials, under the leadership of Mr Yves Franchet, who cover the technical issues. The statisticians take deep professional pride in their work – and angrily reject suggestions that it is fiddled.

As one says: "It is absolutely not statisticians who are manipulating figures. We have a proper system to check that does not happen. What politicians do, though, is their affair."

But their problem is that this system for measuring deficits is complex – even before the politics. For the essential difficulty is that the way government finances are structured is evolving much more quickly than the statistical systems to measure them.

The starting point for measuring deficits, for example, is a standardised European system of accounts. But this was introduced in 1979. And though a new system was agreed in 1995, this will not be introduced until 1999 because it could change the size of some countries' GDPs – and thus distort budget calculations.

In the interim, the 1979 system does not cover economic changes that have occurred in the past 15 years.

Some are irrelevant: zero coupon bonds, for example, did not exist in 1979, but they have little impact on budgets. But other "grey" areas are more significant. Since 1979, for example, it has become harder to define whether pension benefits or insurance schemes represent a "state" expense or a "private" expense – particularly since some of these schemes are partly self funding and non-universal.

To cope with these grey issues, a joint Commission and Eurostat team has been established, together with the European Monetary Institute, the forerunner of the European central bank.

This team has held extensive, secret meetings in recent years to rule on difficult cases. The Treuhand fund that sold East German state property, for example, provoked extensive wrangles about whether the debts and assets from the fund should be considered a "public" debt.

The treatment of social security systems in Scandinavian countries has also provoked dispute, since they are neither entirely government or private.

Another, current debate concerns an EU country where a group of citizens has won retrospective claims for benefits: it is unclear whether the state expenditure should be spread between one year, or several.

But perhaps the biggest problem is the privatisation of state assets. In general, statisticians insist privatisation cannot be used to boost finances: although Britain's budget position, for example, has been greatly improved in the UK data by privatisation, these sales have been excluded from the Commission's figures.

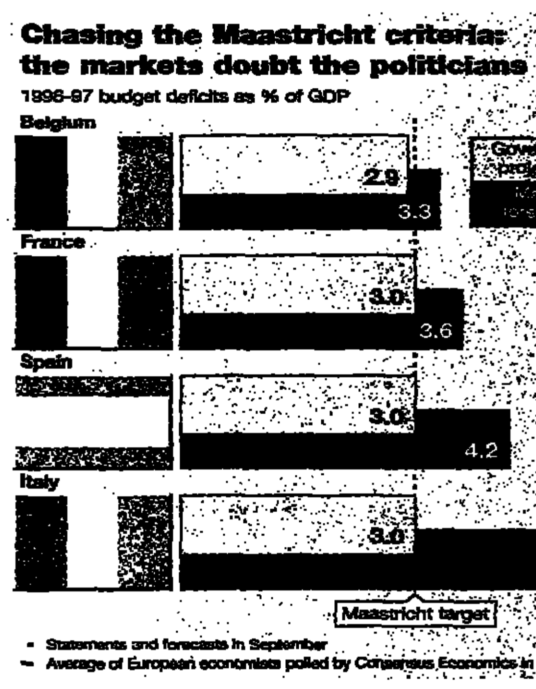
Last year a new wrangle emerged after Belgium "masked" some privatisation by selling the assets through "holding" companies. It was only after extensive debate that it was decided that this "indirect" privatisation was not allowed.

But the current range of cases could prove particularly delicate – not least because of the unusual degree of publicity. The statisticians insist that the process will remain independent. But the Commission has already indicated that "at first sight" France's measures are acceptable.

Statisticians themselves might have faith in the credibility of their figures, but convincing the public will be a difficult business.

Any amount of number crunching will not solve the larger problem: namely, that once the one-off 1997 measures have run their course, the 1998 deficits could present a nasty surprise.

Gillian Tett



Romano Prodi, Italian premier: "If the French can get away with it, then we can show them a trick or two as well." Reuter

Rome curbed in governing by decrees

By Robert Graham in Rome

The legislative process in the Italian parliament was thrown into confusion yesterday by a constitutional court decision imposing strict limits on the use of decrees.

Recent Italian governments have made increasing use of decrees, which have immediate effect, to get round the cumbrous process of approving laws in both houses of parliament. Decrees have to be passed into law within 60 days or cease to be effective; however they can be renewed indefinitely.

Under the court ruling decrees may no longer be renewed after 60 days. The court said the practice went against the principle in the constitution that decrees were only justified on grounds of urgency.

The ruling will not take effect until published in the official gazette, which Mr Mauro Ferri, the constitutional court president, said would probably be later this month. Thereafter the government will not be able to renew the remaining 53 decrees inherited from previous administrations, not yet passed into law, nor those few decrees which it introduced during the past five months in office.

The present government of prime minister Romano Prodi inherited 93 decrees, some of which had been renewed over 20 times but never passed into law. At the outset of the new administration in May efforts were made to find a cross-party agreement to tackle these laws in quick sessions to prevent the backlog blocking the legislative timetable. But the opposition refused to co-operate. At the same time the government's narrow majority in parliament, combined with the need for quick implementation of policy decisions, led it to continue to resort to decrees.

The court's decision should force politicians to come up with much needed reforms to the workings of parliament. Commissions have taken increasingly long to deliberate before passing on draft laws for debate in the full house. This has been compounded by the chamber of deputies and Senate duplicating the other's functions, but operating under differing procedural rules. As a result it has become almost accepted practice for laws to take longer than 80 days to pass through both houses.

Only an agreement between government and opposition can unblock the situation but such a deal is likely to get caught up in negotiations over the 1997 budget and the formation of a bi-cameral commission for constitutional reform.

Italy's constitution reform deadlocked

Politicians are struggling to agree on a special parliamentary commission, says Robert Graham

Efforts to reform large parts of Italy's constitution are being hindered by political differences.

All main parties pledged to carry out a thorough overhaul of the country's increasingly ossified institutions during the last general election. An agreement was reached on forming a bicameral commission just before the summer recess. But so far none of the parties can agree on how to proceed even though the commission must conclude its work by next June.

The first problem to be resolved centres round the role of the rightwing opposition, led by former premier Silvio Berlusconi. Constitutional reform will only be possible if it is backed by a good two thirds of parliament. The opposition thus has to co-operate if anything is to be achieved. But the opposition parties cannot yet reconcile the idea of co-operating with the government on one vital area of policy – constitutional reform – and opposing it on another – the budget.

The opposition parties say this can only rationalised by establishing a constituent assembly that operates separately from the daily business of government. This argument was rejected in early August by the government. The ruling centre-left coalition feared the process would be too time-consuming and that it would not be able to exercise sufficient control over the assembly.

The second problem centres on the life of the five-month-old government of Mr Romano Prodi. If constitutional reform is to proceed, it will take at least two years to agree on measures, have them endorsed and then implement them.

One issue is whether the premier should have more powers

By no means everyone in the government coalition is sure that Mr Prodi can, or should, last that long. The most doubts have been expressed by Mr Massimo D'Alema, leader of the Party of the Democratic Left (PDS), the dominant partner in the government.

But equally Mr D'Alema is aware of the difficulties of finding an alternative to the present government without going to an undesirable early poll. Thus, in recent days Mr D'Alema has been trying to find a means of pushing the process forward while giving himself leverage over Mr Prodi.

At the weekend Mr D'Alema proposed he head the constitutional reform commission, placing his personal prestige on the commission coming up with a successful set of proposals on a wide range of issues from giving the prime minister more powers and reducing the number of deputies in parliament to bringing in a federal structure for the state.

The smaller parties in the centre-left alliance have interpreted Mr D'Alema's move as a means of creating a parallel authority to the Prodi administration.

They also regard his move to control the presidency as the first step towards forging an alliance on reforms with Mr Berlusconi. The latter is clearly tempted to do a deal as it would give Mr Berlusconi the kind of role he has been searching for ever since he was ousted from the premiership in December 1994. But Mr Berlusconi's main ally, Mr Gianfranco Fini of the rightwing National Alliance is wary of such an embrace, arguing it diminishes the chance of introducing a form of semi-presidentialism similar to France.

Unless these various issues are resolved in coming weeks, efforts to reform the constitution will founder and the government will be weakened.

German union offers to trade pay for jobs

By Wolfgang Münchau in Frankfurt

IG Metall, the German engineering union, yesterday offered employers a trade-off between higher wages and new jobs in the opening gambit of what is expected to be an exceptionally difficult wage round.

Mr Klaus Zwickel, president of IG Metall, proposed a total wage cost increase of 4.5 per cent to 5 per cent. This includes a wage rise of less than 2 per cent, in line with inflation, with the rest set aside for job creation. He said the proposal was triggered by "a dramatic deterioration in the labour market".

The wage round talks are due to start tomorrow, several months ahead of schedule, after employers cancelled the existing wage contract. Gesamtmetall, the engineering employers' federation, is asking for a de facto zero wage rise, made up of an inflation-only pay rise and off-setting cuts in fringe benefits.

Mr Werner Stumpfe, president of Gesamtmetall, said "a package of 4.5 to 5 per cent does not fit with IG Metall's declared goal of job creation. If you want to stop the rapid decline in jobs, you cannot propose further cost increases."

Employers are still reeling from an 11 per cent wage cost increase from the 1995/96 pay round. Mr Stumpfe warned this week the talks could seal the fate of the system of regional industry-wide wage bargaining.

The wage talks will also deal with benefits and entitlements. Mr Zwickel yesterday gave out a heavy-handed warning to employers over proposed sick pay cuts, an issue that triggered unofficial strikes last week.

He said: "Government and employers have terminated the social consensus. Works councils and employees are getting ready for battle. IG Metall will defend itself against violations of existing labour contracts and the relentless pursuit of the sick."

Several employers, which have implemented the sick pay cuts, have since backed down as a direct result of warning strikes.

The issue has also pitched Gesamtmetall against the government, which has been treading uneasily between the two sides in the dispute.

Industry report 'watered down'

By Lionel Barber and Emma Tucker in Brussels

A far-reaching European Commission report on the competitiveness of European industry has been substantially watered down after accusations that its approach was "too Anglo-Saxon".

The report, to be discussed at a meeting of the full commission today, is being closely watched by European business as a litmus test of Brussels' commitment to flexible labour markets and deregulation.

The drive to dilute the report's analysis and recommendations has been led by Mr Padraig Flynn, social affairs commissioner, and Mrs Ritt Bjerregaard, environment commissioner. Commission officials say.

An official said the report had been the subject of intense debate between Mr Martin Bangemann, industry commissioner responsible for the report, and the two dissenting commissioners. "The general feeling is that earlier versions were too Anglo-Saxon," the official said.

Original versions of the report criticise a "high cost, low growth, low investment" industry inhibited by inflexible labour markets. It highlights the benefits of making hiring and firing easier and warns that a lack of labour flexibility can stifle companies' ability to respond to consumer demand.

The new version takes a softer approach, according to officials, emphasising that a stable workforce can improve the company competitiveness in the long run.

Officials said that references to environmental regulation had been severely watered down despite business arguments that European competitiveness is being hampered by excessive rules.

The new report responds to business calls for a new system of European-wide "benchmarking" of industry. This is the term used to identify gaps in companies' performance based on productivity, growth, costs, investment and innovation. The idea is to pinpoint best practice worldwide and measure how the results have been achieved.

The Commission believes the potential range for benchmarking is wide because national governments and companies can share information and draw conclusions from their operations in the single market.

The European Round Table of Industrialists, comprising leading European multinationals such as BP, Unilever and Phillips, believes the time is now right to apply the principles of benchmarking to the public sector.

It is expected to unveil "benchmarking" proposals later this month for inclusion in a grand employment policy package to be presented at the EU summit in Dublin in December.

The business group is likely to welcome Commission backing for benchmarking, but may be disappointed by the luke-warm endorsement of deregulation in today's report.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

EUROPEAN NEWS DIGEST

Brussels plans euro campaign

Seven out of 10 people in Europe believe they are poorly informed about the single currency, the European Commission said yesterday. Mr Yves-Thibault de Silguy, monetary affairs commissioner, told the European Parliament he was responding to this with a Ecu21m ($27m) information campaign this year and a Ecu30m campaign next year.

The Commission has also set up a high-level group of 130 people – the "euro group" – to sell the single currency to the ordinary citizen. The group comprises bankers, civil servants, businessmen and academics from the 15 EU member states and will take part in numerous information exercises between now and the planned launch of the euro on January 1, 1999.

Mr de Silguy said the Commission had signed information exchange deals with employers' organisations in Germany, Ireland and Spain and with chambers of commerce in France, Germany, Italy, Belgium and Luxembourg. A campaign in French and German schools was also planned. The commissioner made no mention of Britain, where the government has declined support from Brussels. *Lionel Barber, Brussels*

German repo change likely

The Bundesbank is likely soon to make a concession to banks which have complained that a large volume of dealings in German securities has shifted to London because of minimum reserve requirements.

Mr Johann Wilhelm Gaddum, deputy president of the German central bank, said it was considering dropping minimum reserves on securities repurchase (repo) deals – agreements to sell and then repurchase government bonds – most of which are done in London where there is no such levy. A decision would be made soon by the central bank council, but he thought repo business carried out in London would probably stay there.

The Bundesbank stressed that its commitment to minimum reserves, which it wants as part of the policy instruments of the planned European central bank, remained unchanged. The Bundesbank has steadily cut its minimum reserve levels, now at 2 per cent for repo business. *Andrew Fisher, Frankfurt*

Havel calls talks on Germany

Mr Vaclav Havel, the Czech president, yesterday summoned government leaders to talks about relations with Germany amid signs that a historic declaration aimed at closing the book on the second world war may be made soon. The group will include Mr Vaclav Klaus, the prime minister, Mr Josef Zieleniec, foreign minister, leaders of the two junior coalition partners and the opposition Social Democrat leader, Mr Milos Zeman.

The Czech Republic is the only remaining victim of Nazi occupation not to have come to terms with Germany. Negotiations on a Czech-German declaration have dragged on for more than a year, bedevilled by political pressures particularly in Germany.

Prague says the text has been completed and the problem now lies with Bonn where members of the Sudeten German community, expelled en masse from the former Czechoslovakia after the war, have made a series of demands holding up the text's approval. *Reuter, Prague*

Bosnia Serbs may lift boycott

International envoys to Bosnia yesterday welcomed signs that the Bosnian Serb leaders would soon attend meetings of the country's new multi-ethnic presidency and parliament after having boycotted the inaugural ceremony. Mr Momcilo Krajisnik, the Bosnian Serb representative to the three-man presidency, and Serb deputies to the Bosnian parliament, refused to attend last Saturday's inauguration, citing "security reasons". Western officials widely criticised the boycott, which undermined from the very start the establishment of the newly-elected institutions.

Under the Dayton agreement, the joint governing body is crucial for joining Bosnia's two parts – Republika Srpska, the Bosnian Serb entity, and the Moslem-Croat Federation – in a loose union. *Laura Silber, Belgrade*

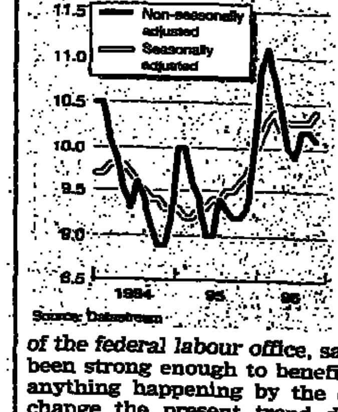
Georgian warlord is jailed

Mr Tengiz Kitovani, the former Georgian defence minister, was jailed for eight years yesterday for organising an illegal armed group and for unlawful possession of weapons. Mr Kitovani had been dismissed by President Eduard Shevardnadze after he led 200 armed men in several buses towards the rebel province of Abkhazia in January 1995. Georgian troops lost control of the province in 1993.

Mr Kitovani, 58, claimed his Georgian National Liberation Front, was a legitimate political group with permission to carry firearms. He called the proceedings a show trial designed by Mr Shevardnadze to get rid of a political opponent. A giant-canvass artist by trade, he built up a private army which overthrew the late President Zviad Gamsakhurdia in 1992. *Reuter, Tbilisi*

ECONOMIC WATCH

German jobs figures worsen



A higher than expected rise in German unemployment last month has cast doubt on the strength of economic recovery. The seasonally adjusted rise of 39,000 compared with economists' estimates of around 10,000 and an increase of 31,000 in August. The total jobless figure was just below 4m, making a seasonally adjusted rate of 10.4 per cent against 10.3 per cent in August. In west Germany, the rate was 9.3 per cent and in east Germany 15.3 per cent. Mr Bernhard Jagoda, president of the federal labour office, said economic growth had not been strong enough to benefit employment. "I do not see anything happening by the end of the year that would change the present trend dramatically," he said. Normally, September shows a seasonal upswing in the labour market after the summer holiday period. But this time, Mr Jagoda said, the autumn trend was "very weak".

Mr Franz-Christoph Zeitler, a Bundesbank council member, also questioned the robustness of economic growth which "just now is not enough to sustain employment". But Germany was moving into a "new cycle" that could help the outlook.

The country's trade surplus rose sharply in July to DM10.9bn ($7.3bn) from DM7bn in June and DM6bn in July, 1995. Exports were 16.5 per cent higher, with imports up by 8.9 per cent. *Andrew Fisher, Frankfurt*

■ Czech consumer prices rose less than expected in September, by 0.3 per cent in September against forecasts of a 0.6 per cent, according to the Czech Statistical Bureau. Annual inflation stood at 8.9 per cent, down from 9.6 per cent in August.

■ Sweden's central bank, the Riksbanken, yesterday cut its key rate, the repo rate, by 0.10 points from 5.05 to 4.95 per cent.

هكذا من الأصل

Erbakan's Islamist meanderings backfire

Turkey's PM returns to censure motions and outrage, writes Kelly Couturier

Mr Necmettin Erbakan, Turkey's Islamic prime minister, returns home today after a disastrous visit to Libya intended to win him support among his constituents but which could cost him his job.

Mr Erbakan's visit at the weekend, part of a three-country African trip billed as a trade development mission, turned into a foreign and domestic policy fiasco when Colonel Muammer Gadaffi, the Libyan leader, criticised Turkey's policy toward Kurdish separatists and advocated a homeland for the Kurds.

Col Gadaffi's remarks on one of the most sensitive subjects in Turkey unleashed a wave of outrage. Opposition leaders called for Mr Erbakan's resignation and presented censure motions against his three-month-old government, the first Islamic-led administration in the country's 73-year history. The foreign ministry, meanwhile, recalled the Turkish ambassador in Tripoli for consultations.

The trip to Egypt, Libya, and Nigeria is the latest in a series of foreign policy initiatives that has the secular establishment increasingly worried that the 30-year veteran of Turkish politics is pursuing his long-time personal dream of building an Islamic bloc of nations at the expense of what the establishment would regard as a responsible foreign policy.

Mr Erbakan's supporters, who have long listened to his fiery anti-western, nationalist rhetoric, are expecting the Islamist leader to reach out to Islamic nations, according to Hasan Cemal, a columnist for the conservative daily Sabah. But, he added, after Col Gadaffi "made a mockery" of the prime minister, the Welfare party, which won 21 per cent of the vote last December, would be hard pressed to win new support among the electorate. Mr Erbakan leads a two-party coalition with former prime minister Mrs Tansu Çiller's conservative and secular True Path party.

With Turkey's 12-year war against guerrillas of the Kurdistan Worker's party (PKK) at the top of Ankara's domestic and foreign policy agenda, Turkey continues to have rocky relations with its neighbours to the south, Iran and Syria.

Ankara accuses both countries of providing assistance to the PKK, and the political and military establishment has frowned on Mr Erbakan's personal overtures to representatives of those countries.

Since becoming prime minister, Mr Erbakan has flouted traditional diplomatic practice, having talks at his home with representatives of Syria, Iran, and Iraq as well as with other non-official foreign Islamist opposition figures.

"Erbakan is meeting various leaders at night by him-

> A three-nation trip to Africa has turned into a fiasco

self without letting the foreign ministry know about it. That's a slack way of running the government," said Mr Firat Dayanikli, an MP from the opposition Republican People's party (CHP).

Mrs Çiller, who was made foreign minister in the coalition government, said on Monday: "Whether it is Libya, Syria, or Iran, they have not been with Turkey in its most important struggle, namely [fighting] the PKK and [preserving] its territorial integrity, but have acted against" Turkey.

Calling Col Gadaffi's remarks an "historic mistake", Mrs Çiller said Turkey "had once again seen who its friends are and who its enemies are".

The guest list for the Welfare party's congress beginning next Sunday, which is reported to include the controversial Sudanese parliamentary speaker and a wide array of other Islamist figures, could land Mr Erbakan in a new controversy.

The CHP said yesterday it had presented a censure motion against Mr Erbakan's government. That was followed by a similar motion by the Democratic Left party.

The coalition government has five more than the 276 votes needed to win a censure vote in the 550-seat parliament, but the Turkish press reports increasing opposition to the government from within Mrs Ciller's party. She, however, is likely to balk at dissolving the coalition, having been pressed into joining forces with Mr Erbakan by corruption charges brought by the Welfare party against her.

The furore over Col Gadaffi's statements occurred amid intensified fighting between Turkish troops and militants of the PKK in the south-eastern provinces. The semi-official Anatolia news agency reported 148 PKK guerrillas and 11 soldiers killed in Hakkari province. More than 21,000 people have died in the conflict.

The US, which backs Ankara's fight against the PKK, criticised Mr Erbakan's visit to Libya. "It's up to allies to be good allies and to understand you can't pick and choose places where you're going to support us or not support us," US State Department spokesman Nicholas Burns was quoted by news agencies as saying.

As Mr Erbakan wrapped up his African tour in Nigeria meeting General Sani Abacha, its military leader, Mr Warren Christopher, the US secretary of state, was beginning his own tour of African nations in Mali. He is seeking support from the British Commonwealth and European Union for sanctions against Nigeria, which has become internationally isolated because of its record of human rights abuses and continuing military rule.

Erbakan: the establishment fears he is pursuing his personal dream of building an Islamic bloc of nations

French press defends its tax breaks

By David Buchan in Paris

The Gaullist leader in France's National Assembly yesterday threatened legal action against journalists, accusing them of trying to intimidate deputies into maintaining a special tax break for the press.

In its draft 1997 budget, the government of Mr Alain Juppé last month announced plans to phase out many of the special tax exemptions which no fewer than 110 French professions have acquired over the years. These include the right of journalists to deduct 30 per cent of their salary, up to a limit of FFr50,000 ($9,800), from their taxable income.

In their struggle to prevent a 60-year-old tax break for their profession being sacrificed on the altar of Maastrichtian austerity, journalists' unions have called a national strike next Tuesday, the day the Assembly starts debating the 1997 budget. In the regions some journalists have threatened to starve deputies of the oxygen of publicity unless they vote against the measure. One newspaper in the Auvergne has warned local politicians they will become "invisible men", denied space in its columns, unless they come to the aid of the country's fourth estate.

A number of deputies have already quailed at the

> A number of deputies have already quailed at the prospect of public invisibility

prospect of public invisibility and have tabled amendments to preserve or merely modify the journalistic tax break.

But Mr Michel Péricard, floor leader of the RPR Gaullists and a former radio and TV journalist, yesterday complained this amounted to unconstitutional pressure on deputies, and warned of legal action if it continued.

Many other professions or guilds – ranging from airline pilots, nurses to the pipe-carvers of St Claude in the Jura mountains – also face the disappearance of similar tax breaks. But they lack the leverage that the press has over politicians.

The press tax exemption dates back to the 1930s, when journalists often had to buy their own writing materials and pay transport and entertainment costs. But such costs are now generally met by employers, the government argues, and therefore no longer justify a tax break.

Officials point out the exemption is to be phased out gradually by the year 2000, and journalists can still deduct "real" professional expenses, like anyone else.

But the National Federation of the French Press counters that lower-paid journalists will lose the equivalent of 1-2 months' pay, and that the disappearance of the deduction will automatically raise welfare charges for an industry in a serious financial state.

The French press already receives a FFr2bn postal subsidy from the state, as well as other public aid, though in contrast to the UK press it has to shoulder value added tax.

Insurance agents lose more ground

By Andrew Jack in Paris

France's network of independent insurance sales agents yesterday said a substantial restructuring of the profession was necessary after they lost further ground in competition with banks last year. Their proportion of non-life insurance sales fell by 2 percentage points to 40 per cent, while the share of life contracts fell to 11 per cent, according to the French federation of general insurance agents.

The decline was largely explained by the growth in importance of "bancassurance" networks set up by most French banks, which are increasingly selling insurance through their branches. Mr Jean-Claude Lechanoine, president of the federation, said agents' commissions last year continued to grow, so now was the time for them to modernise in response to intensifying competition.

A particularly French institution, the general agents have the status of a liberal profession under legislation most recently updated just after the second world war. They work on behalf of the country's insurance groups, earning commissions on the sales of contracts. Earlier this year, they concluded negotiations with the FFSA, the French federation of insurance companies, which has made the legislation governing commercial relations with agents far more flexible.

The formal legal decree is set to published in the next few days ahead of the general agents' annual conference in the middle of this month, and two French insurers – Axa and Groupe Azur – have already concluded new contracts with their networks.

Commissions earned by agents rose 2.9 per cent to FFr14.1bn ($2.7bn) in 1995, but that was less than the growth of premiums across the French insurance sector. The number of general agents also continued its fall, down to 17,247 last year from 22,600 a decade ago.

CONTRACTS & TENDERS

THE BRAZILIAN AIR MINISTRY
AIR FORCE LOGISTIC COMMAND
DIRECTORATE OF MATERIAL

AUCTION

The Directorate of Material will carry out an Auction on the 7th of November, 1996, at 10 AM, local time, at their installations on the Maintenance Depot of Sao Paulo, at Avenida Braz Leme no 3258, Santana, Sao Paulo. The items to be auctioned are:

- 5 (five) Northrop Aircraft, model F5-B, land support equipment, spare parts, five Motors, afterburners and technical publications on that aircraft.
- Spare parts (supply) for the following aircraft: F-5E/F (Tiger II); Mirage III (F-103); C-130 (Hercules); B-707 (KC-137), De Havilland Buffalo (C-115); UH-1H (Bell 205); P-16 (Tracker S2A); Emb 110 Bandeirante (C-95).
- Spare parts for Ground Power Unit (GPU)
- Material of general application

Further information and complete details could be obtained at the same address from Monday to Friday, from 8AM to 11 AM and from 1PM to 3PM, local time, at the Comissao Especial de Licitacao (Special Tender Commission), or via Internet at http://www.ita.cta.br/pamasp

Thais drop stock market sales threat

By Ted Bardacke in Bangkok

Bodi: still manageable

Thai financial authorities said yesterday they had backed away from an idea to introduce measures designed to halt foreign selling on the country's battered stock market, which rebounded slightly yesterday after Monday's 6 per cent drop.

"We agreed that no new measures are needed," Mr Bodi Chunnananda, finance minister, said after a meeting of officials from the central bank, the Stock Exchange of Thailand and the finance ministry.

"We want to let stock prices move according to the market mechanism. The situation is still manageable," Mr Bodi said.

In spite of his assurances, traders said the authorities had asked local mutual funds and a broker-organised market support fund to intervene in the market yesterday. Buying by these two helped push the market up 1.24 per cent. The closing index of 956.34 is still the lowest since August 1993.

Other financial markets were stable as well, as investors were unsure of the direction of interest rates.

The baht was stronger in spot trading at Bt25.433 to the US dollar, compared to Bt25.453 on Monday. Swap rates rose slightly.

Interbank rates were also mixed. The interbank rate remained unchanged from Monday at 9 per cent, while the call rate was also 9 per cent, up from 6 per cent a day earlier.

Siam City Bank, one of the most active users of offshore funding, raised its domestic deposit rates by 25 basis points, which analysts took to be a sign that the central bank's move to limit foreign currency loans would push up domestic funding costs.

Nevertheless, the state-owned Krung Thai bank cut its minimum retail lending rate by 25 basis points to 13.25 per cent, showing there may be government pressure building on banks to shrink their margins in an effort to ease the difficulties caused by economic slowdown.

While economic growth is still projected to be around 7 per cent for the year, interest rates are the key to future profitability of the bank and finance sectors, which together account for nearly half of the Thai market's total capitalisation.

"I don't think we'll get a clear picture on interest rates until after the election and there is a new finance minister," said Mr Paul Alapat, an economist with Lehman Brothers in Hong Kong. "Until then the Bank of Thailand will cushion any tight liquidity situations."

Prime minister Banharn Silpa-archa has dissolved parliament and called an election for November 17, under pressure from a welter of scandals which had tarnished his fractious six-member coalition government.

With such uncertainty, several analysts said there was still some pent up selling pressure from overseas investors looking for a market rebound as a chance to exit. Foreigners were net sellers of $132m worth of Thai stock on Monday out of a total of $359m traded.

Row flares after HK visa chief resigns

By John Ridding in Hong Kong

The Hong Kong government faces a potentially embarrassing inquiry into the retirement of a senior official whose sudden departure has provoked accusations of a lack of transparency.

Legislators said they planned to step up pressure on the government to disclose more information on the departure of Mr Laurence Leung, who stepped down as director of immigration in July.

"People are suspicious about the whole affair," said Ms Christine Loh, an independent legislator. She said legislators were moving to establish a committee of inquiry to investigate the case and that she expected endorsement of the committee in a vote on October 23.

Critics said the government's handling of the case had undermined its claims to increased transparency and accountability.

When Mr Leung's retirement was announced, the government cited personal reasons. But the normal notice period was waived and there was no praise of his record in the post, which he had held since 1989.

"This is clearly a question of public interest, despite the government's claim," said Mr James To, a member of the Democratic party, the largest group in the legislature. He said the government had avoided explaining the affair and had sought to discourage legislators from pursuing the issue.

Concerns have been fuelled by the sensitivity of Mr Leung's post before Hong Kong's return to Chinese sovereignty next July. As director of immigration, Mr Leung had access to information on passport requests and applications for citizenship in Britain. He was also involved in sensitive immigration issues with China and with countries considering whether, and on what terms, to grant access to holders of the territory's post-1997 passport.

Britain, Singapore and Western Samoa have announced publicly that holders of the so-called SAR passports would enjoy the same visa-free access as holders of existing British Nationals (Overseas) passport. Canada has agreed in principle to give visa-free access to SAR passport holders.

The planned committee in the Legislative Council would hold open sessions and would be able to call witnesses. However, government officials could invoke privilege or claim security issues were involved to avoid answering questions.

"But that would be stupid", said Ms Loh. "That would contradict the argument that he retired for personal reasons."

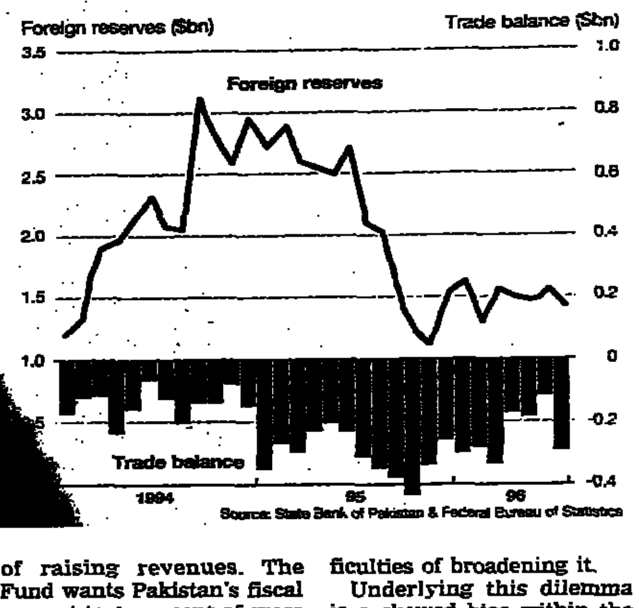
She expressed optimism about the inquiry, in spite of government resistance and time constraints.

Bhutto talks loudly but carries small stick

Mark Nicholson reports on the mounting pressures facing Pakistan's embattled government

Pakistan's ailing economy

Prime minister Benazir Bhutto: trying to rebuild credibility



Pakistani businessmen and foreign investors will greet with scepticism the news that Ms Benazir Bhutto, the prime minister, reached an "understanding" in talks with the International Monetary Fund last week.

Ms Bhutto said at the weekend that a package of stabilisation measures, entailing a "pretty harsh" mini-budget, would be put to the cabinet this week. It would be aimed at satisfying the Fund sufficiently for it to resume the suspended disbursement of a $600m standby loan.

But, as she said, receipt of the loan is less important than improved relations with the IMF. These have become the chief benchmark for her government's economic credibility and, in turn, of local and foreign investor confidence. Both have sunk in recent weeks, putting Ms Bhutto's embattled three-year-old regime under further pressure.

Her government's political fragility will make it all the harder to push through any mini-budget "harsh" enough to redress the structural problems underlying Pakistan's economic ills.

The prospect of new economic measures, as yet unspecified, just three months after her annual budget, will not impress investors. Business, investors, and indeed consumers, disliked that budget, which raised sales taxes and selected tariffs and duties. These, many argued, served only to depress further Pakistan's ailing manufacturing sector.

Foreign investors argue that successive imposition, withdrawal, then reimposition of duties in sectors such as petroleum and power are eroding confidence and hurting investment. They will also claim that in industries such as tobacco, new duties make it cheaper to import products than manufacture them locally.

The government's dilemma is that while it has little leeway to cut spending, as the IMF is insisting, it also has few economically or politically acceptable means of raising revenues. The Fund wants Pakistan's fiscal gap cut to 4 per cent of gross domestic product from the present 5.5 per cent.

Options for spending cuts are severely constrained by the fact that nearly two-thirds of government spending for this fiscal year is earmarked for the politically untouchable defence sector and economically untouchable repayments on government debt – 26 and 38 per cent respectively. Raising revenues is complicated by both the narrowness of Pakistan's current, and heavily plumbed, tax base (there are just 100,000 registered taxpayers in a country of 130m) and the political difficulties of broadening it.

Underlying this dilemma is a skewed bias within the ruling class towards landowners and fiscal favouritism towards agriculture – the country's economic foundation, accounting for 25 per cent of GDP and, directly or indirectly, 60-70 per cent of exports.

More than half Pakistan's parliament comprises agrarian landowners, or "feudals" in the Pakistani lexicon, who have stubbornly resisted broader and deeper taxation of agriculture.

"As the urban population becomes more numerous and vocal, they're saying we just can't take the burden of taxation alone," says Mr Tariq Saigol, chairman of Kohinoor Textile Mills and head of the Lahore chamber of commerce. "But as soon as the question of taxing agriculture is raised, MPs from both parties will just walk out and veto it."

This urban-rural, agriculture-industry divide is fast becoming among the most fundamental and problematic political fissures in Pakistan. In the longer term, analysts believe it can only be redressed through a more representative parliament, which would in turn require a new census and fresh demarcation of political constituencies. The last census was in 1981 and Pakistan's present political incumbents have strong interests in resisting another.

Though economic growth this year appears on target for perhaps 6 per cent, this depends heavily on expected high cotton crops. Official figures suggest manufacturing – much of it also cotton and textile related – is growing at 5 per cent a year, though industrialists dispute this. Mr Saigol and others argue growth this year may be flat, or even negative.

Non-cotton related exports last year contracted to $2.7bn from $3bn a year earlier, despite the effects of a series of rupee depreciations totalling 40 per cent over the past three years. Demand for imports – of raw materials, food and some capital goods – remains strong, with the result that Pakistan is suffering a persistent and worsening weakness on its trade account, placing severe strain on its foreign exchange reserves.

This alone makes relations with the IMF critical. With present reserves of around $1bn, the country faces debt repayments of at least $400m over the next few weeks. Last year's deficit of $3bn already looks like being exceeded, with the trade account $500m in the red for the first two months of this fiscal year.

Moreover, Pakistan's external position is likely to come under even more intense pressure over the next few years as a result of the country's otherwise highly praised power privatisation policy. Under this, the government has signed currency-hedged contracts with 19 private power groups to set up independent power production units.

According to confidential research by one foreign institution in Karachi, the capital and interest repayments along with additional fuel imports arising from these contracts, which involve total inward investment of around $3.6bn, will create an extra $1.1bn-$1.3bn in annual foreign currency outflows from 1998 to around 2013.

Ms Bhutto's already protracted talks with the IMF are just the start of what is likely to be a long and difficult saga of negotiations.

Blockade lifted on Suu Kyi's home

By Ted Bardacke in Bangkok

Burma's military regime yesterday removed barriers blocking access to the home of democracy activist Ms Aung San Suu Kyi. The Nobel Peace Prize winner immediately said she would resume her weekly public speeches, which the junta says are illegal.

The blockades were set up two weeks ago to prevent Ms Suu Kyi's National League for Democracy (NLD) from holding a party congress. They also prevented Ms Suu Kyi's weekend addresses, which are attended by thousands of supporters and are the NLD's most effective communication tool.

"A few blockades do not constitute obstacles to democratisation. We shall have to meet as long as people desire to meet," Ms Suu Kyi said.

Her statement is her latest challenge to the Burmese government which, because of its most recent crackdown on democracy activists, is facing a difficult diplomatic situation. Leaders of the Association of South-east Asian Nations (Asean) are divided over the timing of Burma's entry into the organisation, while the US Congress has approved legislation allowing President Bill Clinton to impose economic sanctions if he decides there is "large-scale repression" of the opposition or if Ms Suu Kyi is rearrested.

"Events outside Burma will continue to be crucial for developments inside," said one European diplomat. "Most of the contact in both the public and private sector is with people from Asean; so Asean is key."

The Burmese government said it had freed all but 63 of the 573 NLD supporters arrested over the past two weeks. Similar releases last June earned it a promise by Mr Mahathir Mohamad, Malaysia's Prime Minister, that the country would be admitted to Asean, along with Cambodia and Laos, at the organisation's 30th anniversary celebration next year.

Malaysia tunes to satellite network

By James Kynge in Kuala Lumpur

Malaysian television viewers, long denied access to satellite broadcasts, have responded keenly to an invitation to subscribe to the country's first satellite television and radio network.

The new service comes ahead of the Malaysian government's plan to amend its broadcasting laws this month, ending a 1992 ban on private satellite dishes. A new law will allow private 60cm dishes to receive signals only from the Malaysia East Asia Satellite (Measat), the country's first communications satellite launched early this year.

Executives of Measat Broadcast Network Systems, which carries 22 channels of foreign and local television under the brand name Astro, said yesterday the first batch of 7,000 digital satellite receivers had completely sold out.

Measat Broadcast is installing its service from this week and will start charging subscription fees next month. Analysts said the service is likely to be popular because of the network's high-quality pictures and diversity of channels.

Measat Broadcast is a private company controlled by business tycoon Ananda Krishnan, an associate of Dr Mahathir Mohamad, the prime minister. The government's investment arm, Khazanah Nasional, took a 15 per cent stake in Measat Broadcast after a recent issue of new shares.

Measat Broadcast, which has a paid-up capital of M$1bn ($400m), is predicting 1m TV subscribers, about 20 per cent of Malaysian households, by 2000.

Through its stake in Measat Broadcast and by other measures, the government is confident it will not lose its tight control over the local media. The company's broadcast centre has set aside a room for government censors to preview TV programmes and up to 100 staff will be employed to monitor all channels at all times.

ASIA-PACIFIC NEWS DIGEST

Machine orders down in Japan

Japan's private-sector machinery orders for August slipped 11.1 per cent month-on-month, reflecting weakness in the semiconductor market, following a 13.6 per cent jump a month earlier, according to the Economic Planning Agency. The fall in memory-chip prices that has hurt the semiconductor industry also led to a 48 per cent year-on-year decline in receipts for semiconductor manufacturing equipment such as steppers.

The agency indicated that machinery orders excluding ships and power equipment were believed to be on a modest upwards trend in spite of the August downturn. On a year-on-year basis, orders in August were 11.4 per cent higher than the same month last year, the agency said. The seasonally adjusted machinery orders for August are still higher than those for June, according to the agency. August saw a significant decline in orders from non-manufacturing companies, government agencies and overseas customers. Orders from the public sector, in particular, which have been supporting Japan's fragile economic recovery, dropped 28.7 per cent, underlining the slowdown in public works. *Michiyo Nakamoto, Tokyo*

Singapore insurance licences

Singapore plans to step up its supervision of the insurance industry by bringing in legislation in 1998 on licensing insurance and reinsurance brokers, Mr Richard Hu, finance minister, said yesterday. Mr Hu said the move from a self-regulatory regime to a more formal regulatory framework will lead to a more financially-sound insurance broking industry. Nearly 60 life and general insurance companies operate in Singapore and wrote over S$5bn ($3.5bn) in premiums in 1995. He said the Singapore authorities regulation of the industry has been aimed at monitoring more closely the weaker companies, especially since the global insurance market has become more volatile since the late 1980s. *James Kynge, Kuala Lumpur*

Chinese dissident detained

China has detained Mr Liu Xiaobo, a leading dissident, but has not commented publicly on his detention. Mr Liu was taken into custody early yesterday after security forces searched his Beijing home. Mr Liu's detention coincides with a meeting of the Communist party Central Committee which is giving approval to a new so-called "spiritual civilisation" campaign aimed at improving civil conduct and combating corruption.

Mr Liu, who was accused by authorities of being one of the "black hands" behind the 1989 Tiananmen Square pro-democracy demonstrations, has been active recently, petitioning the government on press freedom and Tibet. He was detained last year for seven months before his release in January. *Tony Walker, Beijing*

Sri Lanka defence spending up

Sri Lanka yesterday presented draft budget estimates for 1997 showing a significant rise in defence spending because of the continuing cost of the war against Tamil separatists. Military expenditure is projected at SLRs[illegible] ($772m), some 22 per cent of total government expenditure next year, Mr G.L. Peiris, justice minister, who is also junior finance minister, said in parliament yesterday. This compares with 13 per cent in 1996. However, for the past 13 years when the war has accelerated, the draft budget estimates have vastly outstripped original estimates. *Amal Jayasinghe, Colombo*

■ Muhammed Yunus of Bangladesh, an economics professor who founded Grameen Bank "for the poor", has been awarded the $25,000 Simon Bolivar Prize by Unesco, the UN organisation has announced. *AFP, Paris*

Coface buys into German insurer

By Andrew Jack in Paris

The head of Coface, the French export insurer, yesterday hailed his group's acquisition of a majority stake in the German credit insurer AKV as a significant step in consolidating the sector.

Mr François David said the Coface purchase was important because Germany represented France's largest export market, and called it a significant reshuffle in the market for credit insurance.

For AKV, the acquisition was an important step, because Coface brought its own strengths in the export market to the German group.

Coface has bought a 50.1 per cent stake in AKV for a sum believed to be roughly equal to the company's annual turnover of FFr1.4bn ($270.7m). The insurer Rewe, from which it acquired control, retains 37.4 per cent; Munich Re continues to hold the remaining 12.5 per cent.

Mr David said the purchase of the shares would probably be equally funded from Coface's own resources and loans. Munich Re intended to remain a long-term investor, but it was possible Rewe would sell its residual stake, in which case Coface would consider buying it.

Coface's small existing representative office in Germany would be integrated into AKV. There were no plans to restructure AKV after the acquisition. The acquisition would not change Coface's international strategy. It was important to be among the small number of large players in the export credit market.

Assurances Générales de France, the French insurer privatised this summer, is among a number of other groups which have stressed the importance of export trade insurance to their strategy in coming years.

Envoy hits at Manila contracts

By Edward Luce in Manila

Foreign investors in the Philippines faced "worrisome" problems with the country's legal system, with contracts often proving worthless even after they had been signed, Mr Adrian Thorpe, UK ambassador to the Philippines, said yesterday.

Mr Thorpe's comments, considered strong for a diplomat, follow a series of high-profile cases where losing Philippine bidders have succeeded in freezing or annulling the contracts of winning foreign companies through the Philippine courts or political system.

The lack of certainty over contracts, most recently when President Fidel Ramos overturned Subic Bay free-port's decision to award its port privatisation to Hutchison Whampoa of Hong Kong after complaints from the losing Philippine bidder, has caused anxiety among foreign investors.

"They [foreign companies] noted that even after winning bidders sign contracts, the privatisation process is not exactly a settled matter," Mr Thorpe said.

"Foreign companies quite rightly see the Philippines as a good investment opportunity. But there is no doubt there have been a lot of high-publicised cases recently where contracts have not been enforced."

The ambassador's comments, which included praise for the country's liberalisation process opening up lucrative opportunities for foreign investment in telecoms, power and infrastructure, follow President Ramos's decision earlier this year to revoke a $130m contract with GEC-Marconi of the UK.

The Philippine government, which cancelled the contract after it had been signed, has not yet formally notified the British embassy.

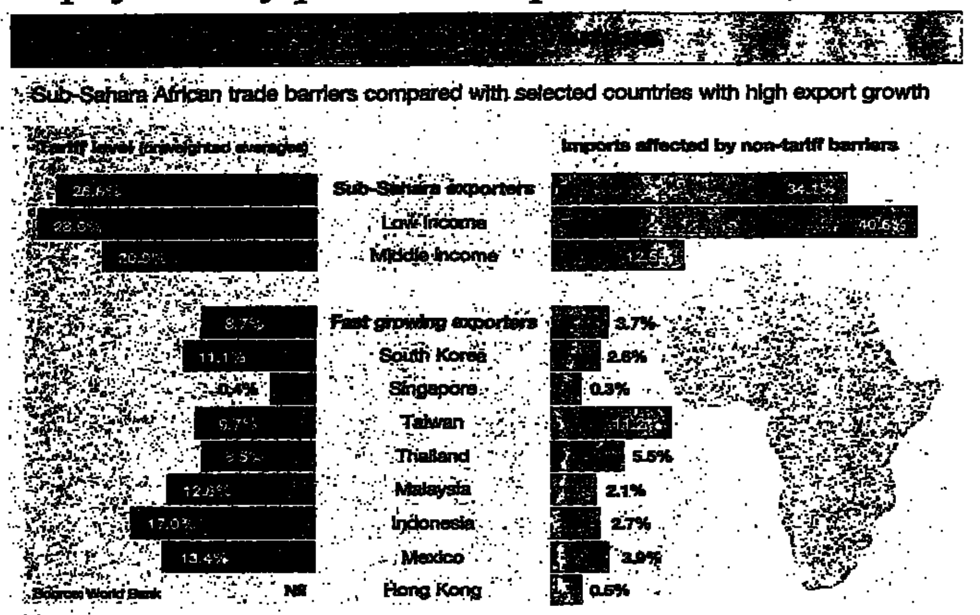
The contract, to supply the country with its first military and civilian radar system, was allegedly overpriced. British government soft loans for the contract remain available.

Other high-profile contracts to meet a similar fate include last year's $30m privatisation of the historic Manila Hotel awarded to ITT Sheraton. The losing Philippine bidder, Prince Hotel, has held up the privatisation in the courts.

Protectionism no defence for Africa

Study says region pays heavy price for import barriers, writes Michael Holman

Protectionist policies imposed by African governments have been costing sub-Saharan Africa as much as $11bn a year, equivalent to the total aid to the region from developed countries in 1991, according to a World Bank research paper.



The study* argues that the decline in sub-Saharan Africa's share of global exports from 3.1 per cent in 1955 to 1.2 per cent in 1990 was the result of "inappropriate domestic policies that reduced the region's ability to compete internationally".

Import barriers in Africa are far higher, according to the report, than in other developing countries and regions with faster export growth. These barriers hamper exports and economic development by adding to the cost of essential imports, such as agricultural inputs and machinery.

The paper comes ahead of December's ministerial meeting of the World Trade Organisation at which many poor countries are expected to complain that they have gained little from trade liberalisation agreed in the Uruguay Round of negotiations.

Africa's market share for its 30 main exports declined from 20.8 per cent to 9.7 per cent between 19962-64 and 1991-93, "which implies annual trade losses for the region of just under $11bn".

Official development assistance to sub-Saharan Africa from members of the Organisation for Economic Co-operation and Development in 1991 totalled $10.9bn.

Not only has Africa experienced a declining market share for its main exports, says the report, they are of declining relative importance in world trade. The region is now highly dependent on relatively few export products.

The authors reject claims that protectionism in rich countries has been responsible: "Rather, the evidence suggests that the tariff treatment which was provided enhanced Africa's position vis-a-vis other exporters."

According to the report, "the share of African exports subject to non-tariff barriers is far lower than that of other developing countries which launched successful sustained export-oriented industrialisation drives".

In addition, tariff preference extended under the European Union's Lomé Convention or under OECD members' Generalised System of Preferences, provide Africa with more favourable terms of market access than for many other exporters of similar products.

Trade barriers in Africa "are far more restrictive" than in any other developing country groups, according to the Bank study. "Sub-Saharan Africa's tariffs average 26.8 per cent, which is more than three times higher than those of the fast growing exporters, and are more than four times the OECD average (6.1 per cent)."

The report adds that OECD countries reduced their tariffs by almost 40 per cent in the recent Uruguay Round (to about 3.9 per cent), and many of the fast growing exporters also made important concessions on trade barriers. "In contrast, Africa's trade barriers were virtually unchanged by the Round. "As a result, the current spread between Africa's tariffs (as well as tariffs plus other import charges combined) and those in the other countries has widened."

The divergence in the use of non-tariff protection is even sharper, says the study.

"Over one third of all African imports encounter some form of these restrictions (over 40 per cent in the case of low-income African countries) which is almost *nine times higher* than the corresponding average (3.9 per cent) for the fast-growing exporters and *13 times greater* than the high-income non-OECD countries" (authors' italics).

The paper gives as one example the tariffs on agricultural raw material. African duties average 23.6 per cent, more than three times the level in the fast-growing countries. Duties for crude fertiliser are nearly four times higher.

"If Africa is to reverse its unfavourable export trends," the authors conclude, "the region must adopt appropriate trade and structural adjustment policies in order to enhance its international competitiveness, and to permit African exporters to capitalise on opportunities in foreign markets."

**Open Economies Work Better! Did Africa's Protectionist Policies Cause its Marginalization in World Trade? Francis Ng and Alexander Yeats, World Bank research working paper No 1636*

Deals signed for Bangkok transit system

By Charles Batchelor, Transport Correspondent

Two international engineering groups and a UK construction company have been awarded an £800m ($1.3bn) contract to build the first phase of a new road and rail system in Bangkok, the Thai capital.

Adtranz, a rail equipment manufacturer, and Balfour Beatty, part of the BICC group, yesterday signed railway supply and construction contracts in London following a signing in Germany by Siemens Transportation Systems.

The three companies will produce an important part of the Bangkok Elevated Road and Train System (Berts), costing a total of $3bn. This will provide an integrated transport network including an upgrading of the state rail network, the construction of a new mass transit system and a new toll road.

Berts is part of a programme intended to overcome chronic congestion in Bangkok which can lead to commuters rising before dawn to get to work.

In the past, attempts to sign up foreign contractors for large construction projects have been hampered by planning delays and cancellations, sometimes after years of negotiation.

Under the contract signed yesterday, Adtranz, which groups the rail interests of ABB, the Swiss-Swedish company, and Daimler-Benz of Germany, will supply 172 rail cars worth about £200m. Balfour Beatty will install 230km of new track at a cost of £125m.

Siemens, leader of the consortium, will supply the power depot and signalling equipment for the mass transit system and be responsible for fitting out stations for a total of £475m.

The contracts have been placed by Hopewell (Thailand) part of Hopewell Holdings, the Hong Kong company controlled by Mr Gordon Wu, a developer. Hopewell acquired a 38-year concession to provide rail services in 1990.

Tokyo defends tests on apples

By Anne Counsell in Washington

Mr Ichizo Ohara, Japan's minister of agriculture, forestry and fisheries, yesterday defended the country's testing procedures for apple imports, and insisted Japan was abiding by World Trade Organisation rules.

In a letter to Mr Dan Glickman, US agriculture secretary, Mr Ohara denied his country was discriminating against US apples by asking for test data on the four varieties the US was seeking to export to Japan – Gala, Fuji, Braeburn and Granny Smith.

The Japanese minister proposed a meeting between the two sides in an effort to resolve the dispute.

The US last week complained that Japan was blocking entry for the apples by demanding new tests on chemical treatments, although previous shipments of other varieties had been acceptable. It hinted that it might take up the case at the WTO if it did not receive a satisfactory response from the Japanese side by this week.

Mr Ohara said it was only natural that tests be conducted on apples to make clear the relationship between size and the effect of pesticides.

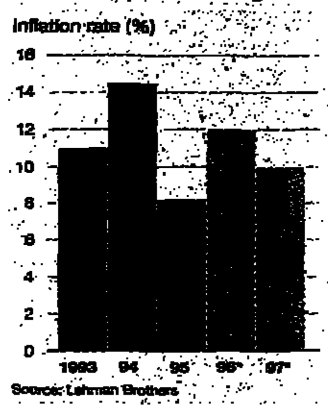
NEWS: INTERNATIONAL

Judy Dempsey on calls by Israeli industry for faster economic reform

Netanyahu pressed by business

Israel's economy: a worrying outlook

Inflation rate (%)



Source: Lehman Brothers

	1993	1994	1995	1996*	1997*
Real GDP growth rate (%)	3.4	6.5	7.1	5.0	4.0
Fiscal balance (% of GDP)	3.9	2.3	3.4	3.5	n/a
Exchange rate (shekel per $)	2.8	3.0	3.1	3.4	3.6
Current account ($bn)	-1.4	-2.5	-4.1	-4.3	-5.0
Trade balance ($bn)	-5.6	144.1	-7.7	-8.8	-10.0
Exports ($bn)	14.8	166.7	18.9	20.6	22.4
Imports ($bn)	20.4	22.5	26.6	29.4	32.4
External debt ($bn)	36.9	41.2	44.3	47.9	51.4
International reserves ($bn)	6.4	6.8	8.2	8.9	9.1

* Estimates

If Mr Netanyahu, Israel's prime minister, yesterday thought he could leave the political turmoil behind him for a few hours and find refuge with the business community and the Bank of Israel, he was mistaken.

The last thing Israel's captains of industry want is political instability. Since the peace process began three years ago, they have seen foreign investment rise six-fold to more than $2bn last year. They have seen new markets open in south-east Asia and Europe where Israel's electronics and telecommunications industry is trying to get a foothold.

Much therefore is at stake for them if the resumed peace talks between their government and the Palestinians fail.

But it is not only the promise of political stability the business community wanted to hear from Mr Netanyahu in this their second meeting, intended to improve contacts between government and industry. What they wanted were assurances that the prime minister's conservative Likud-led coalition would press ahead with structural reforms. These include a speeding up of privatisation, a sharp reduction in the budget deficit, lower interest rates and a devaluation of the shekel.

Mr Yoram Blizovsky, managing director of the Manufacturers' Association, the umbrella group for 1,700 public and private enterprises, said yesterday the association was preparing to present the prime minister with an economic plan.

Mr Netanyahu says he is committed to addressing these issues but industry says he has done little since his election last May.

At the same time business leaders have been pleading with the Bank of Israel to devalue and reduce interest rates to increase profitability and exports. The Bank of Israel, however, insists a devaluation and lower interest rates would only fuel consumption and increase inflationary pressures. Private consumption grew 7.3 per cent last year and was already hovering at 7.3 per cent for the first half of this year.

At the same time gross domestic product grew 7.1 per cent last year and is showing signs of slowing. In the first half of this year it had fallen to 4.5 per cent cent compared with the same period in 1995.

But the point the Bank of Israel wanted to hammer home to industry and the government yesterday was that inflation was on the rise again – all the more reason to stick to its current monetary policies. It estimates inflation will this year reach 11-12 per cent compared with last year's 8.1 per cent.

"At present, when the political and economic uncertainity has increased, it is essential that monetary policy strives to achieve price stability and to lower inflation," said Mr Ohad Bar-Efrat, the central bank's spokesman.

However, Mr Blizovsky said yesterday the slowdown in the economy required "all the forces in the economy" to work together, implying the Bank of Israel was too independent.

All agree the budget deficit must be tackled to cut consumption and narrow the current account deficit which, fuelled by an import boom, is forecast to increase to between $4bn and $4.5bn, or 4.7 per cent of GDP.

Mr Dan Meridor, Israel's finance minister, is due to present his 1997 budget to the Knesset later this month in which he is aiming to introduce cuts of Shk4.9bn ($1.5bn). The government's excessive spending, inherited from the former Labour government, has meant the legally permitted deficit limit for 1996 of 2.5 per cent of GDP is likely to be exceeded. Mr Meridor said last month the deficit could reach Shk12bn, or 4 per cent of GDP, this year.

Mr Yassir Arafat, president of the Palestinian Authority, yesterday vowed to settle disputes through negotiation and not violence, as the US continued to put pressure on both sides to agree on the long-delayed troop withdrawal from the West Bank town of Hebron, Judy Dempsey reports from Jerusalem.

Mr Arafat was speaking after talks in the private residence of Mr Ezer Weizman, the Israeli president, who has been outspoken in his criticism of Mr Benjamin Netanyahu, Israel's prime minister. It was Mr Arafat's second visit to Israel.

INTERNATIONAL NEWS DIGEST

Rabbani meets Uzbek warlord

Afghanistan's ousted president, Mr Burhanuddin Rabbani, met General Abdul Rashid Dostum, the Uzbek warlord, yesterday to explore forming a common front against the Taliban forces who drove him out of Kabul. The meeting took place as forces loyal to Mr Ahmad Shah Masood, Mr Rabbani's military chief, counter-attacked Taliban forces in the north.

Taliban fighters said Mr Masood's forces, who withdrew into territory controlled by Gen Dostum as the Taliban pushed north from Kabul, attacked through the Salang Pass and over the mountains. They said Gen Dostum's men were not involved in the fighting, in which the two sides exchanged artillery, mortar and small arms fire throughout the day.

The meeting between Mr Rabbani and Gen Dostum in Gen Dostum's stronghold of Mazar-i-Sharif was the first in three years. Gen Dostum told reporters Mr Masood was also expected at a gathering that would be attended by virtually every leader of the anti-Taliban factions, including a representative of the Afghan king in exile. *Reuter, Kabul*

Kabul confusion, Page 10

Nine die in Algeria bus attack

Moslem guerrillas attacked a bus on Monday night killing nine people in the southern Algerian town of Ksar el Hirane, the Algerian security forces announced yesterday.

Security forces launched a hunt to track down the attackers in Ksar el Hirane in the province of Laghouat, 340km south of Algiers. *Reuter, Paris*

Jump in Harare Aids deaths

The weekly average number of people dying from Aids in Zimbabwe has jumped recently from 300 to about 500, the country's National Aids Co-ordination Programme estimates, press reports said yesterday.

The programme chief said his organisation was concerned at the lack of a national HIV/Aids prevention and control body in a country where about 10 per cent of the population was infected with HIV. *AFP, Harare*

Kuwait Islamists lose seats in poll

The number of seats held by Islamic fundamentalists in the Kuwait parliament slipped from 19 to 17 after Monday's elections, and they may no longer be the largest single bloc when the new legislature convenes, AP reports from Kuwait.

Pro-government candidates, who held 15 seats in the outgoing 50-seat assembly, appeared to have gained ground, but it was not clear if they would overtake the fundamentalists.

The exact breakdown of parliament will be difficult to determine until the new legislature holds its first session on October 20.

Political parties are banned, and almost all 230 candidates in Monday's elections were independents. A handful represented officially recognised "political movements" ranging from liberal to fundamentalist.

The official results also showed western-educated liberals' seats had been halved from four to two.

Kuwait has the only elected legislature in the Gulf, and the election was the second since the 1991 Gulf war that liberated Kuwait from Iraq.

The parliament has limited powers, and cannot overrule the country's emir, Sheik Jaber al-Ahmed al-Sabah.

As expected, the 16-member cabinet resigned yesterday, and a new one will be announced shortly. Cabinet resignations in Kuwait are routine after elections, and there has been no indication that there will be any big shake-ups.

The last parliament was criticised for not addressing important issues, such as the $5bn budget deficit and the security threat posed by Iraq's President Saddam Hussein.

Some said the legislature spent too much time on fundamentalist issues such as proper Islamic dress and banning co-education at Kuwait University.

Big banks group denies currency market plot

By George Graham in Florence

A consortium of large international banks which are developing a new foreign exchange clearing house moved yesterday to dampen fears that they were seeking to extend their domination of the $1,200bn a day currency market.

Mr Michael Urkowitz, an executive vice president of Chase Manhattan and chairman of the Group of 20, assured bankers at the annual conference of the Swift interbank communications network in Florence yesterday that his consortium was committed to creating an open system which any institution could join if it met objective membership criteria.

But the G20's work has alarmed some medium sized banks enough for them to band together in a rival group they call the Group of 40, to ensure that they do not get squeezed out of a global foreign exchange settlement bank.

Mr Finn Otto Hansen, general manager of payment services at Den Norske Bank of Norway and leader of the G40, said he backed the general idea of a clearing house bank proposed by the G20, but was still concerned about its membership criteria and about the number of currencies it would handle.

The G20 project has also alarmed multilateral netting organisations such as Echo and Multinet, which similarly aim to reduce foreign exchange settlement risk by matching the gross amounts banks owe each other so that they only have to pay the net balance.

Many banks have not joined Echo or Multinet while they wait to see if such netting groups will be put out of business by the G20. But Mr Urkowitz insisted the G20 wanted to build links to the netting organisations.

Work on the G20 project began two years ago when some of the world's biggest foreign currency traders decided to tackle the huge risks they run up in their currency trading because of lags in the actual exchange of payments. For example, a bank may have agreed to sell billions of yen to another but could have to wait for as long as four days before it receives the dollars to pay for them.

This lag became known as Herstatt risk, after Bankhaus Herstatt collapsed in 1974 with $630m of unresolved foreign exchange trades.

G20 banks have reached agreement on the broad outlines of a clearing house bank, which ensure that both sides of a foreign exchange trade are completed by simultaneously crediting and debiting the two banks' accounts, in a process they call "continuous linked settlement". Members would have to maintain an overall credit balance at all times, but could run up short term overdrafts in specific currencies.

"We discovered that the efficiency of the system would be much improved by permitting all the funds paid in by a member to be pooled across currencies, so one currency can be used to cover payments in a second," said Mr Rob Close, payments strategy director at Barclays Bank and G20 program director.

The G20 hopes to finish evaluation of the clearing house plan and its proposed location by the end of the year, and then to ask for proposals from possible operators. Mr Leonard Schrank, chief executive of Swift, said his organisation was eager to provide the infrastructure for the clearing house.

NEWS: THE AMERICAS

Organised labour portrayed as force behind Clinton campaign

Republicans in attack on union funds

By Jurek Martin in Washington

US ELECTIONS November 5

Republican leaders across the US yesterday launched a new assault on organised labour as the driving force behind President Bill Clinton's re-election campaign. They did so the day after Mr Clinton had reached into a traditional source of Republican support by securing the endorsement of more than 2,500 business executives, about 300 of whom turned up at a rally in Connecticut to express support for his management of a much-improved economy.

Mr Newt Gingrich, Speaker of the House, took up the anti-union cudgel in a speech in his suburban Atlanta congressional district, charging that organised labour would spend "$50m, maybe $100m, trying to buy the House".

He complained that the unions had run 35,000 negative commercials about Republicans, with "zero rebuttals" from his own party.. He conceded this could have "some impact" in congressional races, now more of a concern to him than the outcome of the presidential race.

In Washington, Mr Haley Barbour, national party chairman, said it was unfair to use union dues for political purposes. He challenged Mr John Sweeney, head of the AFL-CIO, the umbrella labour organisation, to 'a debate on the disposition of union funds.

Mr Bob Dole, the Republican presidential candidate, also used Sunday night's televised debate with Mr Clinton once again to accuse a particular union, representing school teachers, of responsibility for national educational under-performance.

This appears to be a problematic line of attack. Opinion polls taken during and after the debate gave Mr Dole his lowest marks for taking on the teachers and Mr Clinton his highest for stressing the importance of a sound education policy.

The larger Republican concern is, however, over the impact of the unions' advertising campaign, for which the AFL-CIO has an announced budget of about $35m this year.

Although Republicans still enjoy a general fund-raising edge over Democrats, they were unable to exploit it, in Mr Gingrich's view, over the summer. In this period organised labour spent freely, but Congress was still in session and Mr Dole's campaign treasury was virtually exhausted prior to his nomination.

The Republican onslaught is directed more at "union bosses" than against rank-and-file members. The hope is to emulate President Ronald Reagan's appeal to working class Democrats, yet only one of the party's presidential candidates this year – Mr Pat Buchanan – specifically courted them with his protectionist positions.

Mr Clinton, by contrast, has been able to cite a job-creating economy in efforts to ensure the "Reagan Democrats" do not stray again. In his campaign appearances he frequently invokes US commercial successes, most often the car industry, as examples of the revived productivity of US workers.

Bucaram paves the way for re-election

By Justine Newsome in Ecuador

Only two months into his four-year term, Ecuador's populist President Abdalá Bucaram is proposing measures which would allow his re-election in the year 2000. Under the existing rules a president can only stand again after a term out of office.

Mr Bucaram, who announced on Monday that he would be sending a constitutional reform package to Congress soon, pledged he would not run again. However, commentators are sceptical, pointing to the personality cult which has been developing around the president.

Since taking office on August 10, Mr Bucaram – nicknamed El Loco, the madman – has lost no time in launching a series of social programmes targeted at the poor.

Distribution of subsidised milk and food parcels have begun, while a financing scheme for cheap housing has also been launched.

The measures will reach only a small proportion of Ecuador's almost 12m population, up to two thirds of whom are defined as poor.

However, they have already reinforced the president's support among the electorate, which gave him 54.4 per cent of the vote on July 7.

But Mr Alberto Acosta, an economic analyst, said: "This exaggerated populism does not tackle the structural problems of poverty. It is focused at certain urgent needs to serve clientilist ends."

Mr Bucaram has so far proved adept at negotiating with the 82-member Congress, where his Roldosista party has only 19 seats. But if Congress does not approve the constitutional reforms the president could make the most of his continuing popularity by opting for a referendum to push the changes through.

Softer Sandinistas on comeback trail

As campaigning in the first round of Nicaragua's presidential and congressional elections enters its final stages, opinion polls suggest a late surge of support for the one-time revolutionaries of the Sandinista National Liberation Front and Mr Daniel Ortega, their former president.

More than 17 years have passed since Sandinistas marched into power over the rubble of the Somoza dictatorship, and nearly seven years since they were voted out of office by an electorate exhausted by a decade of war against US-backed Contra fighters.

Dogged by splits and a reputation for confrontation while in opposition, there were few indications that the Sandinistas could engineer a comeback when this election campaign began.

But in just a few months Mr Ortega's opinion poll ratings have risen to 35 per cent from a meagre 20 per cent, and he is now snapping at the heels of Mr Arnoldo Alemán, the Liberal Alliance candidate. Poll ratings for Mr Alemán, the rightwing former mayor of Managua, have held steady at about 40 per cent.

If neither Mr Ortega nor Mr Alemán can muster 45 per cent of the vote on October 20, a run-off vote must be held by early December.

As polling day approaches, the electoral race is already down to two, with the remaining 21 presidential candidates little more than observers. The government of President Violeta Chamorro, who came to power at the head of a broad US-backed anti-Sandinista alliance which subsequently splintered, is supporting an unfavoured candidate.

When the Sandinistas mention Mr Alemán they routinely allude to the Somoza family dictatorship, which ruled from 1936 to 1979. "Alemán's closest advisers are Somocistas," said Mr Alvaro Fiallos, Sandinista campaign manager. And Mr Alemán's militancy in the Somozas' Liberal party, together with his personal ties to the old guard, mean the charges of "authoritarian oligarch" often stick.

However, Mr Raul Palacios, Liberal party secretary, counters: "It is a lie that Alemán is a Somocista... but there is an ideological gulf between us. We are liberals and they [the Sandinistas] are totalitarian marxists, although they try to hide it."

The Sandinistas are clearly intent on showing their softer side. Assuming they can count on the disciplined anti-Somoza vote of the party's grassroots, they have sought to build a broad anti-Alemán alliance by making themselves acceptable to former adversaries.

They chose a landowner, Juan Manuel Caldera, as Mr Ortega's running mate in an attempt to overturn their image as opponents of the private sector. "State regulation of the economy was justified in times of war, but in peacetime things are different and a return of socialist tendencies is not even contemplated," said Mr Fiallos.

The days of standing up to the US are also over. Sandinistas have even replaced their anthem, which referred to the US as the "enemy of humanity", with Beethoven's Ode to Joy.

Above all, an alliance signed in mid-September with a group of former Contras is aimed at securing the support of a conflict-weary and poverty-stricken electorate. In return for three ministries, their former enemies have transferred their loyalties to the Sandinistas.

The changes mean the Sandinistas can launch a serious bid to return to office with the slogan "A government for everyone".

Everyone, that is, except for Mr Alemán, whose early overwhelming lead gave him no reason to seek alliances. While retaining the advantage of not being directly associated with the war, he is calling into doubt the Sandinista transformation. "Their message says they are nice people... [but] if Daniel Ortega wins, private investment will flee and there will be financial chaos," said Mr Palacios.

Daniel Ortega: snapping at heels of Alemán

Despite the campaign's emphasis on politics, economic hardship is never far below the surface. Some 60 per cent of the population of working age is estimated to be either unemployed or underemployed and the country has one of the highest per capita foreign debt burdens in the world.

Mr Alemán's promises that he can better provide the connections to attract the investment needed to reverse the decline are receiving open support at home. Business leaders are telling the press they are holding back investment for fear of a Sandinista victory.

According to Mr Emilio Pereira, the finance minister, bids for the partial sale of the country's state-run telephone company were postponed last week until March 31 at the request of interested companies.

Meanwhile, statements from Washington are cautious. "The US is prepared to have a productive relationship with whatever government takes office in 1997, as long as it is elected in free and fair elections and then exercises power democratically," an embassy spokesperson said.

But another diplomat added: "If Ortega wins, US investors will not just think twice before investing in Nicaragua. They will think seven or eight times."

Johanna Tuckman

Early GM deal with UAW in doubt

By Richard Waters in New York

An early conclusion to negotiations between General Motors and the United Auto Workers union in the US looked in doubt yesterday as a strike in Canada came close to bringing the company's operations north of the border to a standstill.

The talks over a new three-year labour agreement in the US were reported to have been moving towards resolution unexpectedly quickly. However, the UAW was unlikely to conclude an agreement before the dispute in Canada was resolved, as this would weaken the position of the separate Canadian Auto Workers union, US labour experts said.

The strike north of the border is expected to extend to all 26,000 Canadian workers by tonight. The shortage of some parts made in Canada has also started to affect GM's US operations, and would seriously interrupt production if the strike continued into next week. By yesterday the company had laid off 1,050 workers at an engine plant in the US and another 800 at a factory that makes transmission equipment.

Negotiations in the US "are in neutral until there is some sort of direction out of Canada," said Mr David Cole, director of the University of Michigan's automotive industry centre.

Mr Doug Fraser, a former head of the UAW, added that the dispute, over the issue of outsourcing, had left the union and the company far apart. "Unless they can finesse it, it could be a long strike," he said.

The strike, which broke out last Friday, marks an attempt by the CAW to block GM from selling some parts factories and reducing its workforce in other facilities.

Talks in the US have also revolved around the issue of job security. The UAW has secured a guarantee from Ford and Chrysler that at least 95 per cent of union jobs will be maintained over the next three years, and is believed to be urging GM to accept a similar agreement.

The outbreak of a strike in Canada contrasts sharply with the low-key approach which has been used to great effect by the UAW so far this year. Mr Stephen Yokich, the recently appointed head of the UAW, has secured agreements with Ford and Chrysler without resorting to the threat of a strike – contrary to the traditional negotiating tactics in the industry.

International phone charges set to fall

By Alan Cane in London

The cost of international telephone calls from the UK is set to fall sharply as government measures to promote competition take effect.

British Telecommunications and Mercury Communications, which derive a large part of their business from international services, will see their profits squeezed and will lose market share to new operators.

In the longer term, the Accounting Rate System, through which international telecoms operators are paid for carrying each other's calls and which has maintained prices at an artificially high level, will become redundant. The US alone pays out $4.3bn more than it receives through the Accounting Rate System.

Energis, the third largest UK operator, yesterday announced a 10p (16c) a minute call rate to the US for business customers spending more than £150 ($235) a month. The price is a record low for a national operator and undercuts BT's base rate by some 50 per cent.

The new Energis prices are possible because of two UK government moves to increase competition.

The first was liberalisation of the "international simple resale", or ISR, market. Before, a company like Energis handed calls to BT or Mercury for delivery in the US. It had no control over prices the UK operator agreed with US counterparts. Now it passes calls to one of a number of international simple resellers which compete on price to deliver the call to the US. Energis chiefly uses Sprint of the US, Canada's Teleglobe, Sweden's Telia or Telstra of Australia. Energis, therefore, can charge a low price though carrying the call only a short distance on its own network.

According to Mr Tim Parsonson, general manager of Long Distance International, a US-based ISR operating in the UK, the ISR sector is the fastest growing part of the UK telecoms business.

The second move was the UK government's decision this year to end BT and Mercury's duopoly on ownership of international lines. It is now legal for operators holding a full international licence in the UK to forward calls over their own infrastructure. Licence winners are expected to be announced next month.

Editorial comment, Page 11

Ex-minister spurns premier's call for unity on EU

By John Kampfner and James Blitz in Bournemouth

Feuding about the European Union erupted yesterday on the first day of the annual conference of the governing Conservative party. A former minister warned that Eurosceptics in the party would use their campaign against monetary union as a first stage in a broader battle against Brussels. Mr David Heathcoat-Amory, who resigned from the government in July to speak out against European monetary union, defied prime minister Mr John Major's call at the weekend to unite behind his "wait-and-see" approach.

CONSERVATIVE PARTY CONFERENCE

At the other end of the spectrum, Sir Leon Brittan, vice-president of the European Commission, launched his strongest attack yet on Conservative anti-Europeans, accusing them of "panic and defeatism" and of inventing "myths" about the EU. Sir Leon launched veiled attacks on two cabinet ministers – Mr Peter Lilley, social security secretary, and Mr Michael Forsyth, Scottish secretary.

The cabinet's two most prominent Eurosceptics, Mr Michael Howard, home secretary, and Mr Michael Portillo, defence secretary, emphasised their "anti-federalist" credentials in speeches on the fringes of the conference.

With ministers under instruction to clear all speeches at the conference with Mr Major's office, Mr Howard studiously avoided direct criticism of policy on monetary union.

Mr Portillo, stung by criticism of what was seen as an excessively nationalistic speech to the party conference last year, said Britain's interests lay beyond "a European fortress economy".

The welter of appearances on the conference fringes yesterday served as a prelude to today's debate on Europe in the main conference, with organisers desperately to ensure that Eurosceptics keep themselves in check in the main hall.

Mr Heathcoat-Amory, freed from the demands of ministerial responsibility, said the government was "sleepwalking" to the general election, unable to make up its mind on an issue that would have to be decided next year.

"We are deluding ourselves if we think that our concept of a Europe of nation states is shared by other member states," he said.

"They want a federal Europe. So do the Commission, the European parliament and the European Court of Justice. And they will get it, slowly but surely."

Mr Heathcoat-Amory added: "We can start with a decision still to be taken. Let us rule out now British participation in a single European currency."

Sir Leon, a former Conservative minister, accused Eurosceptics of disguising their real aim – quitting the EU – behind opposition to the single currency.

Mr Michael Howard, home secretary, yesterday outlined a list of measures to strengthen law and order, James Blitz writes. They included the removal of driving licences from convicted criminals and a law allowing alcoholic drinks to be taken from drunken young people in streets. He also proposed tough penalties of up to five years in prison for "stalkers". However, the loudest cheers in the hall were reserved for a series of highly Euro-phobic passages in which Mr Howard reaffirmed his determination not to give up UK sovereignty to Brussels.

Hyundai investment, Page 8

Share scheme tax benefits are scrapped

By Jim Kelly and Christopher Price

Mr Kenneth Clarke, the chancellor of the exchequer, yesterday scrapped tax benefits linked to so-called share buy-back and special dividend schemes. His move caused Reuters, the media and information group, to postpone an innovative £600m ($935m) payback deal to shareholders.

Mr Clarke said tax-exempt shareholders such as pension funds were receiving most of the benefits of such schemes. As a result of their popularity the exchequer would lose £80m in 1996-97, rising to £400m a year by 1998-99, he said.

But there was widespread suspicion that the Inland Revenue had timed the move to stop Reuters today seeking shareholder approval for its scheme.

The announcement is also likely to affect the offer, announced yesterday by SHV Energy, the Netherlands company which owns 52 per cent of Calor Group, for the rest of the group. The offer included a special dividend of 40 pence a share.

"The move was brought forward because we know of several deals in the pipeline between now and the Budget," *said a government official.* "This doesn't mean we won't come back for more if we have to."

The schemes have become widely used in recent years, particularly in the banking and utilities sectors. Tax exempt shareholders get 25 per cent more cash than other shareholders through payable tax credits.

The UK stockmarket reacted briefly but violently to the news. The FTSE 100 dropped below the 4,000 mark on the news, hitting a session low of 3,995.3, down more than 36 points, before recovering to end the day up 4.1 points at 4,035.6.

Reuters said it "regretted" the chancellor's decision.

Editorial Comment, Page 11
Lex, Page 18

Hauliers rush to beat deadline

By John Griffiths in London

A rush to buy trucks before new European Union emission and noise rules for diesel engines took effect this month left registrations in Britain 121 per cent higher last month than in September 1995. The rules will push up manufacturing costs.

Discounting the distortion caused by the emissions deadline, the truck market remains relatively weak at about 5 per cent below last year's levels, according to Mr Tony Pain, marketing manager of Leyland Daf. "The truck market ordinarily follows the real economy and there are signs of it starting to pick up because consumer spending is picking up," he said. "But it's all a bit wobbly and because of the emissions blip," the effects won't really be seen until next year."

Iveco Ford and Leyland Daf expect the truck market to rise by between 5 per cent and 10 per cent next year from this year's projected 50,000 vehicles.

Truck operators had the opportunity to save between £1,500 ($2,340) and £2,000 ($3,120) per vehicle by buying and registering trucks not complying with the Euro II emissions legislation introduced on October 1.

Both truckmakers and dealers were caught by surprise at theextent of the upsurge. Truckmakers' and dealers' own anxieties to "move the metal" to beat the deadline were heightened by the UK government and European Commission showing no sign until less than a fortnight ago of being prepared to offer the industry a derogation allowing a certain proportion of non-Euro II trucks to continue to be sold after October 1. It has now been given.

Truck registrations (Jan-Sept '96)

	Volume (units)	Volume Change (%)	Share (%) Jan-Sep 96	Share (%) Jan-Sep 95
[illegible]				
[illegible]	[illegible]	[illegible]	100.0	100.0
[illegible]	[illegible]	[illegible]	60.9	57.9
[illegible]	[illegible]	[illegible]	22.1	21.5
[illegible]	[illegible]	[illegible]	20.5	20.5
[illegible]	[illegible]	[illegible]	17.8	18.1
[illegible]	[illegible]	[illegible]	12.1	12.7
[illegible]	[illegible]	[illegible]	10.8	10.4
[illegible]	[illegible]	[illegible]	6.5	5.6
[illegible]	[illegible]	[illegible]	3.9	5.5
[illegible]	[illegible]	[illegible]	3.7	4.7
[illegible]				
[illegible]	[illegible]	[illegible]	100.0	100.0
[illegible]	[illegible]	[illegible]	18.9	18.8
[illegible]	[illegible]	[illegible]	18.2	18.7
[illegible]	[illegible]	[illegible]	17.3	16.6
[illegible]	[illegible]	[illegible]	15.2	12.7
[illegible]	[illegible]	[illegible]	11.3	11.9
[illegible]	[illegible]	[illegible]	8.7	9.4
[illegible]	[illegible]	[illegible]	8.3	5.9
[illegible]	[illegible]	[illegible]	4.0	3.9

[illegible] *Includes buses and light four wheel [illegible]. Iveco Ford and Seddon Atkinson.
Source: Society of Motor Manufacturers and Traders and industry estimates.

Car sales boost for Japan and Korea

UK REGISTRATIONS OF NEW CARS	Sept 1996 Volume	Sept 1996 Change%	Sept 1996 Share%	Sept 95 Share%
Total market	159,059	-4.4	100.0	100.0
UK produced	48,729	-14.7	35.3	40.8
Imports	90,330	-7.7	64.7	59.2
Japanese makes	20,192	+44.5	14.7	12.5
Ford group	25,283	-8.3	18.3	19.2
– Ford	24,898	-8.8	17.9	18.7
– Jaguar	385	-23.4	0.4	0.5
General Motors	19,678	-6.3	14.2	14.9
– Vauxhall	18,685	-7.1	13.5	14.4
– Saab*	991	+11.8	0.7	0.6
BMW group	16,580	-27.5	12.8	16.3
– BMW	3,505	-9.0	2.5	2.7
– Rover**	13,075	-31.5	9.5	13.6
Peugeot group	12,363	-24.0	9.0	11.6
– Peugeot	7,830	-29.0	5.7	7.9
– Citroen	4,533	-13.4	3.3	3.7
VW group	13,430	+41.7	9.7	6.8
– Volkswagen	8,110	+54.9	8.8	4.2
– Audi	2,336	+29.0	1.6	1.4
– SEAT	930	+81.8	0.7	0.4
– Skoda†	1,068	-7.5	0.8	0.8
Renault	9,170	+17.8	6.6	6.4
Nissan	7,557	+19.3	5.5	4.5
Toyota	4,829	+15.5	3.5	3.0
Fiat group	6,592	+35.7	4.3	3.5
– Fiat	6,002	+30.4	4.4	3.3
– Alfa Romeo	580	+191.1	0.4	0.2
Volvo	3,945	+25.0	2.9	3.8
Mercedes-Benz	3,283	+29.3	2.4	1.8
Honda	2,830	-4.7	1.9	2.0
Mazda	1,792	+87.4	1.3	0.7
Korean makes	4,139	+37.6	3.0	2.2

*GM holds 50% of Saab Automobile and has management control. **Includes Range Rover/Discovery. †VW holds 70% of Skoda and has management control.
Source: Society of Motor Manufacturers and Traders

Worldwide sales of Rolls-Royce and Bentley cars jumped by 18 per cent in the first nine months of this year, though sales in mainland Europe fell by 12 per cent, writes John Griffiths. The Americas were 18 per cent higher while the Japanese market showed only a 2 per cent increase. The largest rise was in the UK where sales rose by 34 per cent. The Rolls-Royce car company, an offshoot of the Vickers industrial conglomerate, is no longer connected to the Rolls-Royce aeroengine company.

NEWS: UK

Hyundai to build $3.7bn plants

By James Buxton in Edinburgh and John Kampfner in Bournemouth

The South Korean company Hyundai Electronics announced yesterday that it is to build two semiconductor plants on a site at Dunfermline in Scotland. The total investment will be £2.4bn ($3.7bn) and the two plants will between them create 2,000 jobs, making it one of the largest inward investments in Europe.

Mr Michael Forsyth, Scottish secretary, who announced the investment at the Conservative party conference in Bournemouth, said it was a flagship project in terms of the technologies used and in the scale of the investment in Scotland.

The project will be in two phases with work on the first £1bn plant beginning next March to be operational by the end of 1998. The plant will employ 1,000 people, with a production capacity of 30,000 eight-inch silicon wafers per month.

It will initially make 64MB chips moving later to 256MB chips. Its output will be directed to the European market. No firm date was given for the second phase which will involve an investment of £1.4bn.

Mr H.K.Yoo, managing director of Hyundai Electronics, said the company aimed to become the world's second largest memory chip producer by the end of the century.

The inward investment was won by Scotland against competition from other European countries including the Republic of Ireland, as well as from other regions of the UK. man.

Mr Forsyth used the announcement to warn Conservatives at their conference that Labour's plans for devolution to Scotland and Wales, a minimum wage and to join the European Union's social chapter would "provoke a jobs holocaust". Scotland, he said, was at the cutting edge of Mr John Major's drive to make Britain the enterprise centre of Europe. "It is part of a pattern – companies flocking to Britain," he said.

In their speeches to the conference, Mr Forsyth and Mr William Hague, the Welsh secretary, linked emotional calls for the preservation of the United Kingdom and resistance to Brussels with warnings that Labour would make British industry less competitive.

Korean rivals fight for position

By John Burton in Seoul

The decision to build a semiconductor complex in Scotland represents the biggest overseas investment by Hyundai Electronics, one of South Korea's fastest growing companies since its establishment in 1983.

Although Hyundai profits have grown steadily on the back of a 30 per cent annual rise in sales, the Scottish venture comes as Hyundai suffers its first setback in its breakneck expansion.

Analysts predict that Hyundai will barely break even or possibly suffer a loss this year because of a sharp fall in prices for its mainstay 16-megabit dynamic random access memory (D-ram) chip, which is the result of global overcapacity and a slowdown in demand.

This compares with a 1995 net profit of won835bn ($1bn) on sales of won3,902bn with Hyundai Electronics having the biggest earnings among the 50-odd subsidiaries in the Hyundai group, Korea's second biggest conglomerate. The profit collapse this year comes at a particularly bad time since Hyundai Electronics is preparing a won200bn initial public offering on the Seoul bourse next month.

Nonetheless, the poor earnings performance has not prevented Hyundai from investing in Scotland. The move reflects the intense competition between Hyundai and its main Korean chip rivals, Samsung Electronics and LG Semicon, as they race to establish plants in three big overseas markets: Europe, North America and south-east Asia/China.

Until now, Hyundai has concentrated on North America. It is building a $1.3bn chip plant in Eugene, Oregon, which will be operational in 1997. In 1994, it also acquired the microprocessor unit of AT&T for $340m and Maxtor, a California-based producer of computer disk drives, for $380m.

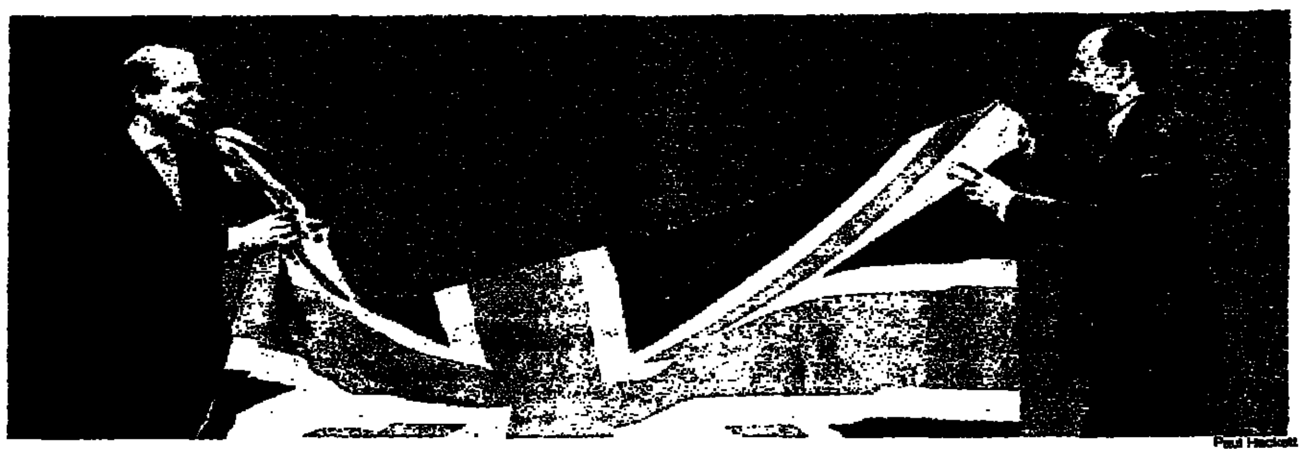
Hyundai's entry into the European market was largely prompted by LG Semicon's decision in July to build a $2.6bn semiconductor and consumer electronics complex in Wales.

This threatened to leave Hyundai as the only Korean chipmaker without an European production base since Samsung Electronics also has a joint venture chip assembly plant with Texas Instruments in Portugal.

The fierce rivalry among the Korean electronics companies contributed to Hyundai's decision to choose Scotland. Its competitors had already positioned themselves in the UK – LG in Wales, Samsung in northern England and Daewoo in Northern Ireland.

Hyundai is gambling that global prices will recover when the complex in Scotland goes into operation in 1999. According to Mr Han Il-Suk, an electronics analyst with ING Barings Securities in Seoul, "Hyundai may have grown more confident with recent signs of a recovery in chip prices." One cause for optimism is that Hyundai will produce next-generation 64-megabit and 256-megabit D-rams in Scotland. Future global demand for these chips is expected to be great.

Moreover, the financial resources of the Hyundai group, which is expected to achieve sales of $84bn this year, will be able to sustain Hyundai Electronics even if chip prices remain weak.



Paul Hackett

William Hague, chief minister for Wales (left), and Michael Forsyth, his counterpart in Scotland, unfurl the UK flag at the Conservative party conference yesterday to emphasise their opposition to separate regional parliaments in Great Britain

Electronics companies flock to Scotland

By James Buxton in Edinburgh

Hyundai's decision to select Dunfermline in Scotland as the site of two European semiconductor plants is a further success for the UK in winning inward investment projects from the "tiger" economies of east Asia.

With big plants operated by International Business Machines and Compaq, Scotland claims to produce about 35 per cent of all branded personal computers made in Europe.

Scotland also has electronics plants belonging to big US manufacturers such as Sun Microsystems, Digital and NCR, and the Japanese companies JVC and Mitsubishi.

The sector employs about 55,000 people and is easily the fastest-growing part of Scottish manufacturing. Last year the electronics industry received an important boost when Taiwanese company Chung Hwa chose Scotland for a large plant making cathode ray tubes for televisions and computers.

Already, two other Taiwanese companies have decided to join Chung Hwa. Lite-On Technology announced in July that it would build a plant making monitors and promised 1,000 jobs. Soon afterwards, Allied Precision said it would set up a plant employing 200 people to supply Chung Hwa with metal components.

But the situation is likely to arouse concerns that Scotland is becoming too dependent on one sector.

In 1995-96, out of the £981m ($1.53bn) committed to inward investment in Scotland, three quarters was in electronics. In 1994 electronics made up 30 per cent of Scottish manufacturing output, and in 1995 the sector's output grew 27 per cent to £10.4bn.

In 1995 the Scottish electronics sector's expenditure on design and development fell by 11 per cent and made up only 0.7 per cent of total revenue.

Editorial comment, Page 11

IRA says it bombed N Ireland army base

By John Murray Brown in Dublin

The Irish Republican Army last night admitted responsibility for planting two bombs at the British army's headquarters in Northern Ireland on Monday.

The admission came in a telephone call to RTE, the state broadcasting organisation in the Republic of Ireland. Sinn Féin, the political wing of the IRA, warned earlier in the day of further attacks if the "political vacuum" was not filled by meaningful talks. Pro-British "loyalist" paramilitary groups in the region met last night to consider their response to Monday's bombings.

The IRA statement came some hours after a call to RTE claiming responsibility for the attacks from an organisation calling itself the Continuity Army. Security officials were casting doubt on the claims before the IRA made its call. The Continuity Army, which is understood to have links with ex-IRA members, claimed responsibility for the bombing of a hotel in the Northern Ireland town of Enniskillen in July and the 120kg Belfast car bomb defused by British army experts two weeks ago.

Sir Patrick Mayhew, chief Northern Ireland minister in the British government, told loyalists not to be provoked to abandon their ceasefire and dragged into the "baited trap" set by republicans.

Speaking after returning early from an investment conference in Pittsburgh, Pennsylvania, to drum up business for Northern Ireland, Sir Patrick warned that any resumption of loyalist terrorism "would be a catastrophe for you and a catastrophe for everbody in Northern Ireland."

The Combined Loyalist Military Command, which groups the outlawed Ulster Defence Association and the Ulster Volunteer Force, is understood to have met at a secret location to decide whether to abandon their two-year ceasefire.

Much of Dublin, capital of the Republic of Ireland, was yesterday brought to a standstill by a number of hoax bomb warnings.

UK NEWS DIGEST

Main line may get tilting trains

Passengers on the UK's main west coast rail line between London and Scotland will travel in high-speed tilting trains by 2002 if proposals for a £2bn ($3.1bn) modernisation programme announced yesterday are carried out.

Mr Roger Salmon, franchising director, yesterday invited private sector companies to bid for a 15-year franchise to run trains along the route. Bidders will be expected make offers including the option of both tilting and conventional trains.

The main manufacturers of tilting trains – Fiat Ferroviaria of Italy, Adtranz, the Swiss-Swedish-German group, and Bombardier of Canada – are expected to pitch to supply their vehicles. Under an agreement with Mr Salmon's office, Railtrack will spend £1.35bn on modernising signalling, introducing improved safety and re-laying sections of track. If tilting trains are introduced, Railtrack will spend a further £150m on boosting the power supply and modifying tunnels and platforms. Railtrack is the former state company which owns the track of the national network. *Charles Batchelor*

■ SATELLITE BROADCASTING

Network rate card under scrutiny

Cable companies have begun a detailed examination of a new rate card produced by British Sky Broadcasting which will govern the future wholesale prices of satellite channels.

BSkyB is the satellite network in which Mr Rupert Murdoch's media empire holds the biggest stake.

Production of a new rate card was part of a series of undertakings given by BSkyB to the Office of Fair Trading which helped it to avoid a possible reference to the Monopoly and Mergers Commission.

In July, Mr John Bridgeman, director-general of Fair Trading, decided after a six-month investigation that BSkyB's behaviour was not anti-competitive. He was concerned, however, that the satellite venture's powerful position was making it difficult for cable operators to compete. Cable operators complain that they have to buy complete packages of programmes from BSkyB and pay 60 per cent of the retail price charged to viewers before negotiating fees for non-BSkyB channels. "This issue is absolutely fundamental to the business of the cable companies," Mr Bob Frost, chief executive of the Cable Communications Association said. *Raymond Snoddy*

■ LLOYD'S OF LONDON

Arizona joins settlement accord

Lloyd's of London said the US state of Arizona had joined the accord between Lloyd's and the Co-ordinating Committee of the North American Securities Administrators' Association. Arizona's decision means all 2,900 US investors in Lloyd's are covered by the accord.

If US investors, or Names, accept the £3.2bn ($5bn) Lloyd's settlement they will be eligible to extra relief under the pact. "This agreement marks the end of our differences with US securities regulators," said Mr Peter Lane, Lloyd's managing director for North America.

Names are the individuals whose assets have traditionally supported the insurance market. *Jim Kelly*

■ INSURANCE

Award for FT journalist

Ralph Atkins, the FT's insurance correspondent until last month, was named Best Insurance Journalist Writing for a National Newspaper at the 1996 Financial Services Media Awards on Monday night. The awards are organised by the Association of British Insurers.

ARTS

Television/**Christopher Dunkley**

On jury duty at the Prix Europa

Most television festivals welcome programmes from anywhere in the world, but the Prix Europa, celebrating its 10th anniversary this year, is a little different. It sets out to "look for the best television productions in Europe" with the aim of "helping them overcome national, regional, and local boundaries and create a television community within an emerging Europe that expresses the richness and diversity of our cultural heritage".

The organisers, Susanne Hoffmann and Leo Braun, are too shrewd to declare "This is the one that resists American cultural imperialism" yet that is what shines out from between the lines. It is also what was clearly wanted by the Eurocrats at the discussion following the week's viewings. They called, again, for a quota system to protect the poor descendants of Homer, Michelangelo and Beethoven from the cultural giants of the modern world: Mickey Mouse, Roseanne Barr and Snoop Doggy Dogg.

The Prix Europa is a moveable feast. It has been in Amsterdam, Strasbourg, Barcelona, Reykjavik, Porto and Marseilles as well as three times in Berlin. This year it was in Berlin again, as it will be next year. There are prizes for fiction, non-fiction, youth programmes, and an "Extra Category" for series and serials and unusually long productions, fiction or non-fiction. The prize in each category is worth 6,250 Ecus (about £5,400). Would the FT television critic serve on the 1996 non-fiction jury? He would. "Call that work?" friends chortle. Well, yes. Judge from last week's diary.

■ **SATURDAY** 9.30am. Jury briefing. We are a properly mixed bunch: programme makers from Germany, Poland and Russia, a programme commissioner from Sweden, the French head of a programme sales outfit, and a British critic. We are to have 49 viewing hours, and begin with a French programme about life in prison. It is not the last on the subject, nor the best. Our second entry is an outstanding Russian documentary which reveals not only that Russian prisoners of war were routinely sent to Siberian labour camps when the second world war ended, but that those who lived under German occupation were regarded with deep suspicion. Russian patriots were not expected to surrender but to keep their last bullet for themselves. Hence the title *Why Are You Alive?* Old jury hands give a sigh of relief; this could be a winner, no days of increasing panic as you think "There's nothing here worth a prize". Then the bombshell: it was made by Oxana Dvornitchenko, the Russian on our jury. She leaves the room when her programme is discussed, but how will it look if we give her the prize?

■ **SUNDAY** 9.00am. Outside 18,000 people are running in the Berlin marathon. We are three minutes into a Swiss documentary about deafness. It is followed by a Danish programme about young women in prison, not the last on prisons. Then an Irish account of violent attacks on small children in an orphanage run by nuns. Then Bosnian refugees in Norway, and a programme about a Danish health farm for obese children. What a way to spend Sunday. Relief with a beautifully crafted Danish biography of Virginia Woolf, *The War Within*, technically the best thing we have seen. But other jurors are yawning. For some, "non fiction" seems to mean gritty social problems and not effete arts programmes. We finish at 6.30pm.

■ **MONDAY** 9.00am. We begin with an hour of teenage cancer (Belgium), move on to an hour of tuberculosis (Sweden) and then have a short break for Spanish education before we get an hour of Aids from Switzerland. Of course programme makers never intended their work to be viewed like this. The remarkable thing is that, even with nine or ten hours a day to watch, you still recognise high quality the moment it turns up. The reverse is also true. In a French programme called *Gaston And The Truffle Hunters* we can all sense someone off camera hissing "Cue the pig" and decide to pass the cassette through to the fiction jury, who give it a special commendation. Best joke of the festival.

■ **TUESDAY** 9.00am. Start our fourth 10-hour day majoring on eastern Europe: a primitive Siberian village, a primitive Mennonite village, memories of Auschwitz, a couple living in an old people's home in Macedonia, a parade of Russian soldiers who served in the second world war . . . and of course a documentary about prison life, this one made mostly with stills.

■ **WEDNESDAY** 9.00am. Pouring rain. We start with an account of life in a Belgian convent, move on to life in a Russian psychiatric hospital (or prison as we say) then programmes about Italian cowboys and French fishermen. Nick Waplington's video-on-the-carpet programme *Living Room*, about life in an English council house, shot for German television, makes us all sit up. Eventually we give it a special commendation. Others go to Oxana's Russian programme, one of those about a remote Russian village, and the prison documentary using stills. In the afternoon an extraordinary programme from Lithuania, *From The Life Of Elves*, tells of two tiny sisters and a tiny brother, ages ranging from 55 to 61, who still live with their adoptive "mother" in a remote village. It is a bizarre and powerful piece which eventually gets our Special prize, for the best low-budget or regional programme.

■ **THURSDAY** 9.00am. Last full day of viewing. There have been no programmes about transvestites, transexuals, alcoholism or drugs. Astonishing. This morning we begin with male models and move via a detailed account of an Albanian vendetta to a British entry about *HMP Dartmoor*: our fifth on prison life. From Sweden comes a heartening programme by film director Lars Mullback about learning in Budapest how to overcome many of the handicaps caused by his own cerebral palsy. The looks of disbelief on the faces of the Swedish doctors who have kindly explained the inevitability of his difficulties, only to have him show his triumph over them, is the funniest moment of the week. Have we now seen the winner? I would vote for it.

■ ***FRIDAY 9.00am.*** *We have* just one programme left: *Death By Design*, a French inspired co-production telling the complicated story of cell death. It does this in a superbly professional and entertaining manner, using everything from Busby Berkeley clips to a working sheepdog. Will the others reject it for lacking a gritty social problem and being too slick? No. We give it the prize. Mullback will have a special commendation.

■ **SATURDAY.** No programmes!

■ **SUNDAY.** Prize giving at the Babelsberg Film Studios in Potsdam where they made *Metropolis* and *The Blue Angel*. At the dinner afterwards the rumour is that next year the Prix Europa and the Prix Futura will be combined in one mammoth Berlin television festival. Volunteers for the jury? Er, I think I may have a previous engagement . . .

Opera

Wagner shaken, not stirred

Richard Fairman reviews 'Siegfried' at Covent Garden

There comes a point when a little bird should whisper into the ear of some opera producers, "Enough is enough". It is all very well having lots of new ideas and disrespectfully chucking out the old, but a modicum of self-discipline is heaven-sent in this business.

The point arrived for me towards the end of the second act of *Siegfried*, when the woodbird was joined by two other little birds, each pecking away with its long yellow beak, one at a tree, the other at a human skull lying nearby. They were there without rhyme or reason – just one of the production's childish whims.

This first complete cycle of the Royal Opera's new *Ring* reached *Siegfried* on Monday. It has been an up and down experience, one lofty perception followed by another that is the pits. Richard Jones and Nigel Lowery, the producer and designer, know their Wagner, but parade their clevernesses before us like circus turns.

Take one example: Siegfried must overcome his mother fixation before he can win his bride. So Mime, who has been his surrogate mother, becomes a pantomime dame and the dragon is turned into a mother-figure whose head must be chopped off. This is Jungian psychoanalysis cartoon-style.

I continue to think it might have worked if Jones had managed to exercise stronger editorial control and had been paired with a conductor of similarly punkish bent. But Bernard Haitink's approach is so naturally conceived that it is difficult to tell where the composer's thoughts end and his begin. He opens his arms to Wagner; whereas Jones grabs him by the scruff of the neck, holds him upside down and shakes him for the ideas to fall out.

Haitink's first act was marvellously lithe and did not let the pace flag, even in the heftiest passages of the forging song. The atmosphere of a grim fairy tale suggested by Jones is fair enough and there are some amusing touches (I enjoyed Siegfried cooking up his sword at the kitchen stove). But it could easily have floundered without Graham Clark's brilliantly-played Mime, a cross between an old spinster and the witch in *Hänsel und Gretel*.

In *Siegfried*, the heroic pair who shouldered *Die Walküre* return. John Tomlinson's Wotan is the single most impressive character of this *Ring*, as he has been in the last two productions at Bayreuth. He galvanises every scene he is in like an electric charge, even when he not in his best voice. Deborah Polaski's Brünnhilde also had a few shaky top notes, but her singing was firm in the middle and thoughtfully phrased.

All round, this was a good cast in vocal terms. Ekkehard Wlaschiha made a strong Alberich, seen here as Wotan's double (the libretto surely makes that point clear enough already). Matthias Hölle was the Fafner dressed as a Halloween harpie hiding in the cupboard and Catherine Wyn-Rogers a subtle Erda, still in her ballgown. Rosemary Joshua was a particularly pure-toned Woodbird.

About Siegfried Jerusalem in the title-role feelings are liable to be mixed. No Siegfried has ever been a better musician, but his voice sounds tired these days. Well-turned lyrical phrases lie alongside hollow dramatic ones. Nor does he look at all happy with Jones's conception of the part as a gawky fifth-former in short trousers, satchel in hand – though he blossomed vocally late in the evening, as Haitink and the orchestra gave their glorious best in the final duet.

After he has killed the dragon, Siegfried becomes a man and gets to change into long trousers, so Jerusalem may be happier with *Götterdämmerung*, which concludes the cycle on Saturday. A shame that so much of the production is stuck at the short-trousered stage.

Alastair Muir

John Tomlinson and Siegfried Jerusalem: a good cast in vocal terms

Opera/**David Murray**

A Quixote too frail

For the English National Opera, Ian Judge has revived his 1994 production of Massenet's *Don Quixote* – sung in English, but keeping the names "Quichotte" and "Dulcinée" for the sake of the prosody. The ENO cast has crucial weaknesses; and yet this performance has many pleasing virtues. Confirmed Massenet-lovers will admire much of the detail, but others may find this late work limp and unimpressive.

What Massenet wrote was less than a whole opera – just a series of five vignettes, drawn from recent French dramatisations of Cervantes' work rather than the original. All that it shares with the novel is an ageing eccentric knight who duly meets sheep and windmills, has a servant called Sancho Panza, and idealises a woman called Dulcinea. We are expected to recognise those cues, but nothing much more; the rest is an idle fiction about a fiction. Dulcinea, for example, in the original a greasy servant-girl, becomes a Carmen here.

That would not have been a problem for Massenet's audience, even at a time when people still pretended to some familiarity with Cervantes. The real excuse for *Don Quichotte* was Chaliapin, who sang the premiere at Monte Carlo (for Paris the great Vanni-Marcoux took over). In the design of the opera it is obvious that Quixote's grand *basso cantante* outpourings are the nodes, with his frailer moments as mere contrasting pathos.

In the latter the ENO veteran Richard Van Allan is often moving, with his nobly emaciated profile, lofty height and moments of poignantly expressive tone (and wandering pitch), but he cannot now project the big declamations which define Massenet's hero with full-blooded force. Nor does Nicholas Folwell's sturdy character-bass quite rise to Sancho's lyrical passages or his mock-elegant patter, despite his lively acting; so we lose the edge of Massenet's best numbers.

Sally Burgess plays Massenet's tarty Dulcinea to the hilt, of course, and her quartet of frustrated lovers (both sexes) is first-rate. Emmanuel Joel again conducts in sympathetic style, letting Massenet's cautious inspirations from Wagner show through undisguised.

Judge's production – in John Gunter's economical single set and Simon Tapping's deft lighting – is neat and nifty. Quixote's nag Rosinante and Sancho's donkey are witty hybrids, three-wheel bikes with electronically animated heads and ears, and the "sheep" are amusing.

Without the expansive eloquence the opera needs, however, this is not a memorable evening.

Theatre/**Simon Reade**

Hit-and-miss recipe

Sylvia Freedman's delightfully daft musical about the rogue 19th-century actor, *The Meteoric Rise and Dramatic Demise of Edmund Kean, Tragedian*, which excited Islington's King's Head audiences last year, is having a welcome revival at Watford's Palace Theatre. Her new play *Accommodating Eva* is now at the King's Head, starring Dillie Keane as the heroine. The tale of Eva's fall and rise and fall again is, briefly, a perceptive comedy. But for the most part it is a tiresome spoof of capitalism and television.

Eva left Albania when, after serving five years hard labour for giving the president a bunch of nettles, she found her village was over the new border with Macedonia. In her flat in Leytonstone she enterprisingly keeps egg-laying chickens, to the consternation of the hard-nosed entrepreneurial Angela. Intent on evicting rather than accommodating Eva, Angela takes her to court.

This is where the play begins, with a wry cameo from Oliver Bradshaw as the judge. We see English justice through Eva's foreign eyes: a fog of absurd customs and practices which favours the over-privileged few at the expense of the under-privileged many.

But this purports to be a comedy, not a political drama. So, after a brief sojourn in Holloway prison, Eva arrives on the doorstep of the prosecuting barrister and his do-gooding wife – who just happen to be hosting a dinner party for Angela. We are given a sketchy satire of the shallow social conscience of the upper-middle classes, juxtaposing their dedication to charity with their delectation for *fois gras*. Eva moves in – and becomes the hostess of a successful cookery show on TV, broadcast from the barrister's kitchen. Angela becomes her manager and markets her voraciously.

Although she invokes *Pygmalion* and *Twelfth Night*, Freedman clearly loses interest in her central character and confidence in the integrity of her plot. Even the plucky Keane can do nothing but roll her eyes at the audience. Like one of Eva's recipes, the dramatic development is half-baked, stupid ingredients are thrown in at random, and Tom Dulack's production fails to cook up a storm.

At Islington's King's Head theatre until October 27 (0171 226 1916).

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-6718345
● Moscow Quartet: perform works by Tchaikovsky and Shostakovich; 8.15pm; Oct 11

EXHIBITION
Rijksmuseum
Tel: 31-20-6732121
● The display of power: this exhibition features costumes and textile from the 18th and 19th century showing signs of power and status. Also exhibited are royal dresses, fans and handkerchiefs decorated with monograms, coats of arms and texts; from Oct 12 to Mar 2

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Berliner Symphoniker: with conductor Achim Zimmermann, soprano Camilla Nylund, alto Mette Ejsing, tenor Hardy Brachmann, bass Ralf Lukas and the Berliner Singakademie perform Dvorák's Stabat Mater Op.58; 8pm; Oct 12

■ COLOGNE

CONCERT
Kölner Philharmonie
Tel: 49-221-2040820
● Kölner Rundfunk-Sinfonie-Orchester: with conductors Luciano Berio and Simon Joly, the NDR Chor and the Kölner Rundfunkchor perform works by Berio and Verdi; 8pm; Oct 11

OPERA
Opernhaus Tel: 49-221-2218240
● Elektra: by R. Strauss. Conducted by Jiri Kout and performed by the Oper Köln. Soloists include Hanna Schwarz, Gabriele Schnaut and Horst Hiestermann; 7.30pm; Oct 10

■ COPENHAGEN

OPERA
Det Kongelige Teater
Tel: 45-33 69 69 69
● Don Giovanni: by Mozart. Conducted by Marco Guidarini, performed by the Royal Danish Opera. Soloists include Johannes Mannov, Irene Theorin, Jorgen Klint and Lena Nordin; 8pm; Oct 10

■ DRESDEN

CONCERT
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Sächsische Staatskapelle Dresden: with conductor Rainer Mühlbach and soprano Maacha Deubner perform works by Kancheli; 8pm; Oct 10

■ DUSSELDORF

CONCERT
Tonhalle Düsseldorf
Tel: 49-211-8992081
● Elisso Wirssaladze: the pianist performs works by Mozart, Schubert and R. Schumann; 8pm; Oct 10

■ LONDON

CONCERT
Barbican Hall
Tel: 44-171-6384141
● Kirov Orchestra: with conductor Valery Gergiev perform works by Prokofiev and Tchaikovksy; 7.30pm; Oct 10
Queen Elizabeth Hall
Tel: 44-171-9210600
● London Sinfonietta: with conductor Markus Stenz, soprano Sarah Leonard, mezzo-soprano Teresa Shaw, bassoonist Pascal Gallois and trumpeter Gabriele Cassone perform works by Berio, Castiglioni and Donatoni; 7.45pm; Oct 10
Royal Festival Hall
Tel: 44-171-9604242
● London Philharmonic Orchestra: with conductor Roger Norrington perform works by Purcell, Haydn and Vaughan Williams; 7.30pm; Oct 10

EXHIBITION
Whitechapel Art Gallery
Tel: 44-171-5227888
● Inside the Visible: this exhibition features the work of 37 women artists from around the world, from the 1930s to the present day. Included are works by Claude Cahun, Ana Mendieta, Nancy Spero, Theresa Hak Kyung Cha, Lygia Clark and others; from Oct 11 to Dec 8

■ LUXEMBOURG

CONCERT
Théâtre Municipal
Tel: 352-470895
● Orchestre Philharmonique du Luxembourg: with conductor Michel Stern and pianist Jorge Federico Osorio perform works by Britten, Rachmaninov, Paganini and Beethoven; 8pm; Oct 10

■ NEW YORK

CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● Mischa Maisky and Martha Argerich: the cellist and pianist perform works by Beethoven, Stravinsky and R. Schumann; 8pm; Oct 11

EXHIBITION
The Jewish Museum
Tel: 1-212-423-3200
● From Court Jews to Rothschilds: 1600-1850: this exhibition provides the first comprehensive examination of the cultural world of the Court Jews – traders, artists and financiers who held influential positions in the courts of Central Europe; to Jan 19

■ PARIS

CONCERT
Cité de la Musique
Tel: 33-1 44 84 45 00
● Naissance de la sonate classique: violinist Fabio Biondi and harpsichordist Rinaldo Alessandrini perform works by von Biber, J.S. Bach, Benda and Mozart; 4.30pm; Oct 12
Théâtre du Châtelet
Tel: 33-1 42 33 00 00
● Los Angeles Philharmonic New Music Group: with conductor Esa-Pekka Salonen, tenor Paul Groves, soprano Anu Komsi and the London Sinfonietta Voices perform Stravinsky's Concerto in E flat major (Dumbarton Oaks) and Cantatas; 8pm; Oct 11

■ SAN FRANCISCO

EXHIBITION
SFMOMA – Museum of Modern Art Tel: 1-415-357-4000
● Commonplace Mysteries: Photographs by Peter Hujar, Andrea Modica, and Bill Owens: this exhibition brings together three photographers who share related interests and whose works offer a critical look at our social landscape. Included are Hujar's photographs of the gay, literary, artistic elite of New York, Owens' last body of work featuring large-scale colour photographs of domestic interiors, and Modica's lyrical pictures of one unusual family's life; from Oct 10 to Feb 4

OPERA
Orpheum Theatre
Tel: 1-415-861-4008
● Il Barbiere di Siviglia: by Rossini. Conducted by Bruno Campanella, performed by the San Francisco Opera. Soloists include Jennifer Larmore, Catherine Cook, Dmitri Hvorostovsky, Bruce Ford, Alastair Miles and John del Carlo; 7.30pm; Oct 10, 13 (2pm)

■ STOCKHOLM

EXHIBITION
National museum
Tel: 46-8-6664250
● Jenny Nyström – Painter and illustrator: Jenny Nyström worked mainly as an illustrator, but her early painting is also included in this exhibition, focusing on the climax of her career in the 1880s and 1890s. Both as an illustrator of children's books and as a Christmas card designer, Nyström was a pioneer; from Oct 10 to Jan 19

■ WASHINGTON

DANCE
Opera House
Tel: 1-202-416-4600
● San Francisco Ballet: perform George Balanchine's Stravinsky Violin Concerto to music by Stravinsky, Tomasson's Sonata to music by Rachmaninov, James Kudelka's Terra Firma to music by Torke and David Julian Bintley's The Dance House to music by Shostakovich; 8pm; Oct 8, 9, 10, 11, 12 (also 2pm), 13 (2pm)

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. **Tel: 31 20 664 6441. E-mail: artbase@pi.net**

WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHz (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Edward Mortimer

Kabul confusion

The new Afghan regime seems to confirm western nightmares about Islam. Yet it may be a western ally

You have to hand it to Professor Samuel Huntington, the Harvard political scientist. More than three years after his article "The Clash of Civilizations?" first appeared, the debate it stirred up is still raging.

Huntington predicted that the next century will be one of conflicts between cultures or "civilisations", where the key question is "what are you?", rather than between social classes or ideologies, where the question is "whose side are you on?". In particular, he predicted an escalating clash between the west and Islam.

In a rare defence of Huntington published in the current issue of *Prospect*, Josef Joffe, the German commentator, claims: "Nowhere in the Islamic world ... is there anything resembling a real democracy". (Hmm. Not even a passing resemblance in Turkey? Malaysia? Pakistan? Bangladesh?) He then asserts that "the Islamic world harbours the worst and longest-living dictatorships", though there is nothing Islamic about the regimes in Burma, North Korea or – quite a big exception – China.

Joffe goes on to defend Huntington's famous assertion that "Islam has bloody borders". The frequency of conflict, he suggests, "correlates nicely with Arab/Islamic geography": Arabs versus Israelis, Iraq v the west, Iran v the US, Pakistan v India, Turkey v Greece, Libya v Chad, Sudanese Moslems v Sudanese Christians and animists, Syria v Lebanon.

Are there then no conflicts in other parts of the world? Moslems are hardly unique in their tendency to resist when invaded or occupied, or in the propensity of some of their rulers to expand into other people's territory.

More interesting, though it fits less well with Huntington's thesis, is Joffe's observation that conflict is very frequent both between and within Moslem states. Unfortunately all his examples are drawn from the Arab world. Like many commentators, he falls into the trap of equating "Arab" with "Islamic", forgetting that Arabs constitute only one fifth of the Moslems in the world, at the most.

Still, defenders of Islam are going to have a hard time with the latest events in Afghanistan, a non-Arab Moslem country which has had more than its share of conflict, both internal and external. A communist coup there in 1978 was followed by a conflict between rival groups of communists, leading to a Soviet intervention in 1979. A long war followed in which the anti-Soviet resistance forces all fought in the name of Islam – most getting support from western as well as Moslem states – but remained deeply divided along both ideological and tribal lines. They continued fighting each other after the communist regime collapsed in 1992.

Now the Taliban, a movement armed if not created by Pakistani intelligence, purports to impose Islamic peace, benefiting from popular disillusionment with the feuding resistance groups. All efforts to explain that Islam is a peaceful, tolerant religion, distorted by the western media, have been wiped out at a stroke by the sight of the former Afghan president and his brother strung up from a balcony, followed by reports that the triumphant Taliban (Islamic "students") have forbidden women to go to work or to school, beaten those who showed an ankle in public, and banned all forms of entertainment, including music.

Of course, the victims of the Taliban are also Moslem. But the Taliban would argue that these people have abandoned traditional Islamic culture and succumbed to the lure of western civilisation. The fact that this civilisation was brought to Afghanistan mainly by Russian communists makes no difference. Communism, seen from a traditional Islamic viewpoint, is simply one of the forms that western decadence can take.

But the Taliban's style of government will be as unpopular in Afghan cities as communism was in the countryside; their ethnic base is exclusively Pashtun, which means they are viewed with suspicion by Tajiks and Uzbeks in the north of the country; and their insistence on Sunni orthodoxy alienates not only Afghanistan's Shia minority but also the regime in Iran.

Last week I heard a senior Iranian official, speaking in Persian, use the English word "fundamentalist" to express his distaste for the Taliban and their activities. He believed the Taliban's victory was part of a US strategy to encircle Iran and secure safe passage for oil exports from Turkmenistan to Bombay.

That may seem far-fetched, but the US has so far been remarkably polite about the Taliban, whom it clearly sees as a counter-weight to Iranian influence. In private, US officials have even rejoiced at the fate of President Najibullah, despite the barbarous manner of his death and the fact that he was supposed to be under UN protection.

The Iranian official also thought the Taliban victory would work in Russia's favour, because it was a defeat for the Tajik movements in Afghanistan, which have been supporting the Islamic opposition to the Russian-backed regime in Tajikistan.

If Professor Huntington is reading this, perhaps he would read the last three paragraphs again and tell me which civilisation is which.

Clearly "what are you?" is a very important question in the Afghan context, but one to which "Moslem" is an insufficient answer. In the global context "whose side are you on?" remains a relevant one which cannot be answered by pigeon-holing groups into broad categories of culture or "civilisation".

The Taliban: armed to the teeth to impose Islamic rule

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

Towards a federation with Maastricht 2

From Mr Jan-Peter Olters.

Sir, The decision has already been made: European integration will be a multi-speed process. Maastricht 1 has outlined criteria according to which member states can qualify for membership in Emu. The UK and Denmark have enshrined their options for a political "opt-out" in it.

As the "EU begins Maastricht 2 hard sell" (October 4), negotiators might not be overly ill-advised if they took the next logical step and designed the development towards a hopefully united European continent by the beginning of the next millennium along parallel lines.

A political union or "European federation", as envisaged by some of the main continental European countries, should form the centre – complete with a single currency, central political institutions and common policies – around which other countries arrange themselves. Depending on the political willingness and relevant economic variables, lesser degrees of co-operation are available, for example EU-, EC-, and EEC-type arrangements.

That way, it will not be the most reluctant partner that sets the pace for European integration, and a European house can be built for those who want to live in it. Similarly, those countries that have little interest in committing themselves beyond free trade will have the opportunity of choosing between EU-/EC-/EEC-memberships.

Advantages appear numerous: eastward enlargement will be facilitated, flexibility included, the principle of subsidiarity added (where desired), and the ambition by the maximalist governments not hampered by those unconvinced. Recent experiences have shown the limitations of a uni-speed approach. Maastricht 2 could, in the end, be what the intergovernmental conference's nickname implies, the completion of Maastricht 1 to the benefit of all.

Jan-Peter Olters,
102-436 rue Ste-Helene,
Montreal PQ H2Y 2K7,
Canada

Clothing suppliers shun partnerships

From Mr Peter Burton.

Sir, As my firm has just completed and published a research study of the relationships between independent retailers and manufacturers in the clothing industry, with the support of the British Shops and Stores Association, I am emboldened to comment on your reports ("Textiles industry", October 3) of sweatshop conditions in UK factories.

At the root of the problem is the tendency of clothing suppliers to rely wholly on price as a competitive weapon, and so find margins driven down to almost nothing.

This came out very clearly in our research. Independent retailers are crying out for manufacturers to take a partnership approach and to match their service to the requirements of their businesses.

Unfortunately, few suppliers seem to behave in this way. Instead, their over-long and erratic delivery times, their chaotic invoicing methods, their reluctance to use information technology, and their generally adversarial approach, seriously limit the volume and quality of business that the retailers can do.

Consequently, there appears to be plenty of opportunity for manufacturers to compete by closely supporting their retailers, who will become much less price sensitive as their business volumes increase. There will be more money for everyone along the supply chain, including for those who sit and sew.

The industry needs a standard against which manufacturers can get an independent audit of their business approach, which would measure both their competitiveness and the degree to which they treat their workers in an ethical manner.

Peter Burton,
director,
AGC Silverman Associates,
53-64 Chancery Lane,
London WC2A 1QU,
UK

Ready to take advantage

From Mr Kees J. Kempenaar.

Sir, I refer to your report "Low benefits costs help hoteliers" (October 3). UK hoteliers gain less advantage from low social security costs than from relatively high room rates. The higher proportion of labour costs to revenue in France and Spain says at least as much about their denominator as it does about their numerator.

The high revenues enjoyed by UK hoteliers will ultimately attract the competition that will lead to their undoing.

Kees J. Kempenaar,
Koninginnerweg 136,
1075 EC Amsterdam,
The Netherlands

Misleading view of UK vocational training progress

From Mr John Hillier.

Sir, While the National Council for Vocational Qualifications (NCVQ) welcomes all constructive comment on vocational qualifications, Peter Robinson's report *Rhetoric and Reality* (Personal View, October 7), which uses out-of-date statistics and misinterpreted data, must be called into question.

The report contained many misleading conclusions because the author has failed to access the most current data. Much of the figure work dates back to 1994 although more recent 1995 and 1996 information is available.

Moreover, NCVQ believes the report fails to acknowledge the tremendous progress made by NVQs since 1990. Current figures show that 35 per cent of all vocational qualifications are now NVQs and the level of satisfaction among employers and employees is very high. Some 91 per cent of employers currently offering NVQs say they will continue to use them and more than 90 per cent of people who have been awarded an NVQ would recommend them to colleagues.

With NVQs having grown at 40 per cent over the last two years, NCVQ suggests that data used in the report from 1994 is probably 40 per cent wrong.

The annual rate of growth for NVQs over the last four years has averaged more than 30 per cent. The number of certificates awarded so far this year is 26 per cent up on 1995.

Research in the workplace shows that 42 per cent of businesses employing more than 11 people now offer NVQs, rising to 70 per cent of locations employing in excess of 500. Around 1.2m people already hold NVQ certificates. The awarding bodies have told NCVQ that more than 1m people are formally working towards an NVQ with up to the same number doing so but not officially registered, giving a total in excess of 2m.

More recent data also shows that completion rates for advanced general NVQs leapt from 58 per cent in 1993-94 to 80 per cent in 1995-96.

We welcome discussion and debate about all aspects of vocational qualifications when it is informed and relevant. Unfortunately Peter Robinson's report is liable to cause more confusion than clarification and it is disappointing that a body such as the London School of Economics should produce such an unbalanced piece of work.

John Hillier,
chief executive,
National Council for Vocational Qualifications,
222 Euston Road,
London NW1 2BZ, UK

William Dawkins on Japan's pre-election nationalism

The risks of ambivalence

JAPANESE ELECTIONS

The Japanese, always hypersensitive to foreigners' views of them, were yesterday treated to an unwelcome picture of themselves under attack. On the front pages of many Japanese newspapers was a photograph of three protesters from Taiwan and Hong Kong, standing on a Japanese-owned rock in the East China sea, waving Chinese and Taiwanese flags. The rock is part of the disputed Senkaku islands, or Diaoyu as they are known in Chinese, owned by Japan but also claimed by China and Taiwan.

The once obscure islands have become the focus of bitter anti-Japanese sentiment among Japan's Chinese-speaking neighbours, provoked by the construction of a makeshift lighthouse there in July by a rightwing Japanese group. The lighthouse was seen as a beacon of Japanese expansionism.

The demonstrations, which led to tragedy last week when one Hong Kong protester drowned, have been an embarrassment for all the governments involved, unwilling to upset their delicate relations and unused to being cornered by nationalists in their own, or anybody else's, camp.

But none is more embarrassed than Tokyo. Japanese leaders are prevented by the imminence of a general election on October 20 from continuing to shelve the question of who owns the rocks, which sit on top of rich fishing grounds and potentially rich oil reserves. No government in the world can afford to go soft on sovereignty weeks ahead of a vote. Thus Japanese coastguard vessels have had to carry out an uncomfortable double duty of warding off intruders and supplying doctors to try to resuscitate those who come to grief.

This imbroglio is a reminder of the continuing diplomatic sensitivity between Japan and China, the most important bilateral relationship in Asia. Will the island row upset the intricate balance between them? The answer hinges on whether Japan's real mood is even half as nationalistic as its Asian neighbours' worst fears. The signs are that it is not.

"The majority of the public do not regard this issue as very important. We are talking about a very small fringe," says Mr Takashi Inoguchi, professor of politics at Tokyo's United Nations University. Mr John Neuffer, political analyst at Mitsui Marine Research Institute, adds: "These people are irritating and loud. But they do not drive policy. This is not a return to the 1930s."

No mainstream Japanese politician has so far mentioned the islands in an election campaign hitherto devoted to humdrum domestic issues, such as deregulation, the power of the bureaucracy, tax reform and an ageing population. And the government has done its best, within pre-election limits, to defuse island tensions, by not sending in the navy and by refusing to grant an application to have the lighthouse officially registered as a navigation beacon.

The group which built the lighthouse and lodged that application, the Japanese Youth Federation, has no part in respectable politics *because it belongs to no* political party. It is the personal fiefdom of its founder and president, an anything but youthful 59-year-old Mr Toyohisa Etoh, a rich Tokyo entrepreneur, who says he financed the escapade alone.

It is among 1,000 rightwing groups active in Japan, with about 90,000 members overall, according to the National Police Agency. But while small, Mr Etoh's men are not the kind that one would wish to argue with, thanks to suspected links with the *yakuza*, the Japanese equivalent of the Mafia. Thus the federation carried out its plans without permission from the island's owner, a property developer in Saitama, rural central Japan, who says he feels deeply embarrassed and wants nothing more than to leave the islands in their natural uninhabited state.

The islands row may, on its own, be a quirk. But what worries Japan's neighbours is that it does happen to coincide with a reassertion of nationalism by the Liberal Democratic party (LDP), dominant member of the government coalition.

Mr Ryutaro Hashimoto, the prime minister, raised hackles across east Asia when he celebrated his birthday at the end of July by paying a visit to the Yasukuni shrine in central Tokyo, where the ashes of Japan's war dead, including those hanged as war criminals, are buried. It was the first such visit by a Japanese premier in 11 years. The LDP followed up that gesture last week with an election manifesto supporting visits to Yasukuni by government ministers and restating Japan's sovereignty over the East China Sea islands.

The manifesto, however, is not the full message. As so often in Japan, policy is hinted at, rather than clearly stated. Shortly after the LDP plan was published, Mr Hashimoto announced that in deference to China he would never revisit the shrine so long as he was prime minister.

Shortly after taking office earlier this year, he had performed a similar retreat from nationalism by resigning as chairman of the bereaved war families' association, an influential rightwing LDP group.

The message is thus deliberately ambivalent. On the one hand, Mr Hashimoto must play to the nationalist right wing in his own party. These include elderly politicians such as the four cabinet ministers over the past decade who have had to resign for making tactless remarks over Japan's war record, but who *still wield* power behind the scenes.

Mr Hashimoto himself got into trouble only two years ago for saying that it was a matter of "delicate definition" whether Japan committed aggression against Asian nations during the second world war.

On the other hand, he must respect important foreign friends. Thus far, Mr Hashimoto's balancing act has served domestic interests well, in that he has kept his party and a diverse coalition together. But the islands row invites the question of how much longer Japan's neighbours are going to tolerate the Tokyo government's ambivalent nationalism.

Senkaku/Diaoyu islands: a question of sovereignty

18th century: noted on Chinese maps

1895: annexed by Japan, along with Taiwan. Sold to Tatsushiro Kojima, who sets up a dried fish factory, in business until 1940

1945: Japan hands Taiwan back. *Control of islands, now part of Okinawa prefecture, reverts to US*

1972: US returns islands to Japan, along with Okinawa

1973: Kojima's son sells islands to Kunioka Kurihara, a landowner in Saitama, central Japan

هكذا من الأصل

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Wednesday October 9 1996

Search for calm in Korea

The unpredictability of a North Korean regime beset by a critical shortage of food and foreign exchange makes this region arguably the most explosive flashpoint in Asia. It requires cool heads on the part of all involved to prevent the situation getting out of hand.

That makes the emotionalism which has crept into South Korea's pronouncements on its northern neighbour somewhat disturbing. President Kim Young-sam claims that Pyongyang's continued provocation creates a risk of all-out war. But such remarks themselves may add to that danger.

Seoul was understandably alarmed by the incursion into its waters last month of a North Korean submarine. Subsequent events – the brutal murder of South Korea's consul in Vladivostock, apparently by North Korean agents, and the arrest in the US of a Korean American on charges of spying for Seoul – bear the hallmarks of a cold war thriller. In the real world, though, South Korea has to remember its long-term aims.

A top priority must be to prevent a political implosion in North Korea, in which the government collapses into anarchy and there is a mass exodus of starving refugees. In its calmer moments South Korea has rightly argued that unification, when it comes, should be a gradual process, not one forced on it by crisis.

President Kim's outspoken comments risk alienating him from his US allies, who have been seeking to engage North Korea gradually with the outside world. South Korea has long feared that the North would seek to drive a wedge between Seoul and Washington so that it can exploit divisions between allies. By his present stance President Kim may make it easier for the North to achieve that aim.

No doubt the South Korean president is under pressure from the hawks in his government. Given a relatively weak economy and the lingering impact of the corruption scandals for which two former presidents have been tried and convicted, it may suit him to rally South Koreans around an external threat.

But talk of war, or even of abandoning the project to supply Pyongyang with safe nuclear power, is not wise. It risks driving North Korea into a corner from which it would feel forced to retaliate.

The best way of defusing tension remains the four-power talks proposed by the US. For these to get under way requires a resumption of political dialogue between North and South which North Korea has always resisted. The South needs to be more sensitive if it is to make North Korea change its mind.

Their call

The price of a transatlantic telephone call for the UK is becoming astonishingly low compared with what people were used to a few years ago.

British Telecom's 25 per cent reduction in prices, which comes into effect today is stimulating a round of price competition with profound implications for customers. It also shows up the urgent need for governments to press forward with restructuring the industry, particularly in continental Europe.

New technologies and the introduction of competition to telecommunications networks within (and between) the US and the UK will continue to bring prices down, perhaps by another order of magnitude.

Business customers will benefit not merely from lower costs, but from a continually expanding range of services. The era in which the chairman will be beamed from New York and projected holographically in a cloud of mist in the boardroom of her European subsidiary may not have dawned. Some executives may hope it never will. However it is already a technical possibility. It seems only a matter of time before enough cheap bandwidth is available to turn such sci-fi visions into accepted commercial services.

Apart from gimmicks, the prospect of another step change in telecommunications costs will offer businesses a new range of video-communication services, alongside the huge quantities of data, faxes and voice communications already flying round the globe. The transfer of high-quality colour video images will become routine, whether of meetings, products, designs, publicity material, technological briefing or medical consultations. Entrepreneurs will no doubt exploit the networks in ways which nobody has yet imagined.

For these reasons, it would be good to think that costs are coming down all over Europe. But this is far from the case. Despite the EU's decision to liberalise telecommunications fully from 1998, national monopolies throughout the continent are holding prices far too high. As a result, some European tariffs are 10 times those for the equivalent service in the US.

It is absurd and damaging to the EU that calls between its capital cities should cost more than a call across the world to the US. If European customers are to reap the large potential benefits of new technology, liberalisation in 1998 must include vigorous action to curb the power of telecoms monopolies and to force them to allow competitors to connect into their networks at a fair price.

This requires not just directives, but vigorous intervention by regulatory authorities.

Taxing buybacks

A few years ago, British companies rarely bought their own shares or paid special dividends. Such methods of recycling spare cash to shareholders were seen as a sign that management lacked imagination. That thinking is rightly on the way out. Companies do not have the same growth opportunities. So it makes sense for those with cash but limited opportunities to hand capital to shareholders, who can invest it in companies with little cash but many prospects.

It would be a pity if the government's decision yesterday to crack down on the tax treatment of buy-backs and special dividends put a break on such healthy reallocation of capital. A return to the days when privatised utilities wasted funds by diversifying into businesses they knew little about would be in nobody's interests.

Fortunately, such a reaction is unwarranted. The new rules close a tax loophole that gives an artificial incentive for buy-backs; but they do not give companies a reason to hoard cash they cannot profitably deploy.

The loophole arises from the fact that buy-backs and special dividends count as distributions to shareholders, on which companies pay advance corporation tax. Tax-exempt investors, such as pension funds, receive a credit allowing them to reclaim the tax. This, in itself, is not objectionable. However, "streaming", whereby credits are overwhelmingly channelled to tax-exempt investors, is. This occurs with buy-backs, as those who can make use of them tender their shares.

Streaming can also occur with some special dividends. Reuters' plan to issue "special dividend shares" – which carry the right to a series of special dividends – is a case in point. Because the shares would be tradeable, they would presumably be snapped up by investors who could cash in the tax credits.

Although the government's aim of stamping out streaming is laudable, there are two quibbles. First, the rules will hit special dividends followed by a share consolidation. This is pointless, as consolidations are purely cosmetic exercises. It also misses the target of special dividend shares. Reuters' scheme has only been caught because it also involves a consolidation.

The second quibble concerns takeover battles. Bidders can enhance the value of their offers if they pay part of the consideration in special dividends from the target's balance sheet. Targets can also pay a special dividend to improve their defence. Under the government's new rules, targets employing this tactic will enjoy favourable tax treatment, but bidders will not. This has nothing to do with streaming: it is merely a way of raising tax. And, unfortunately, it tilts the playing field in favour of incumbent managers.

An uncertain half-life

GEC Alsthom's merger with Framatome could be a turning-point for the nuclear sector, say **Stefan Wagstyl** and **David Owen**

The proposed merger between GEC Alsthom, the Anglo-French group, and Framatome, the state-controlled French nuclear construction company, is the biggest corporate consolidation in the nuclear engineering industry this decade.

Not since ABB, the Swiss-Swedish combine, acquired Combustion Engineering of the US in 1989 for $1.6bn has the industry, which is dominated by a handful of large integrated engineering groups, seen plans for such a significant realignment.

The proposals come at a time of intense competition in nuclear engineering, with the market for new plant still suffering from the after-effects of the Chernobyl disaster. An industry which once attracted the cream of engineering talent and research funding is now fighting for its future.

As Mr Geoffrey Stevens, a senior official at the Organisation for Economic Co-operation and Development's Nuclear Energy Agency, says: "There is a struggle to keep in place a kernel of capacity. I would not be surprised to see more mergers."

General Electric Company (GEC) and Alcatel Alsthom, GEC Alsthom's two shareholders, have given themselves to the end of the year to work out the details, including capital structure and the relationship of the planned entity to the French government. Among their concerns are the links between this deal and Alcatel's bid for Thomson, France's state-controlled electronics group. Alcatel, which owns 44 per cent of Framatome, would probably use the deal to reduce its stake and raise cash for Thomson. But GEC would end up with a significant indirect stake in Framatome, held via its share in GEC Alsthom.

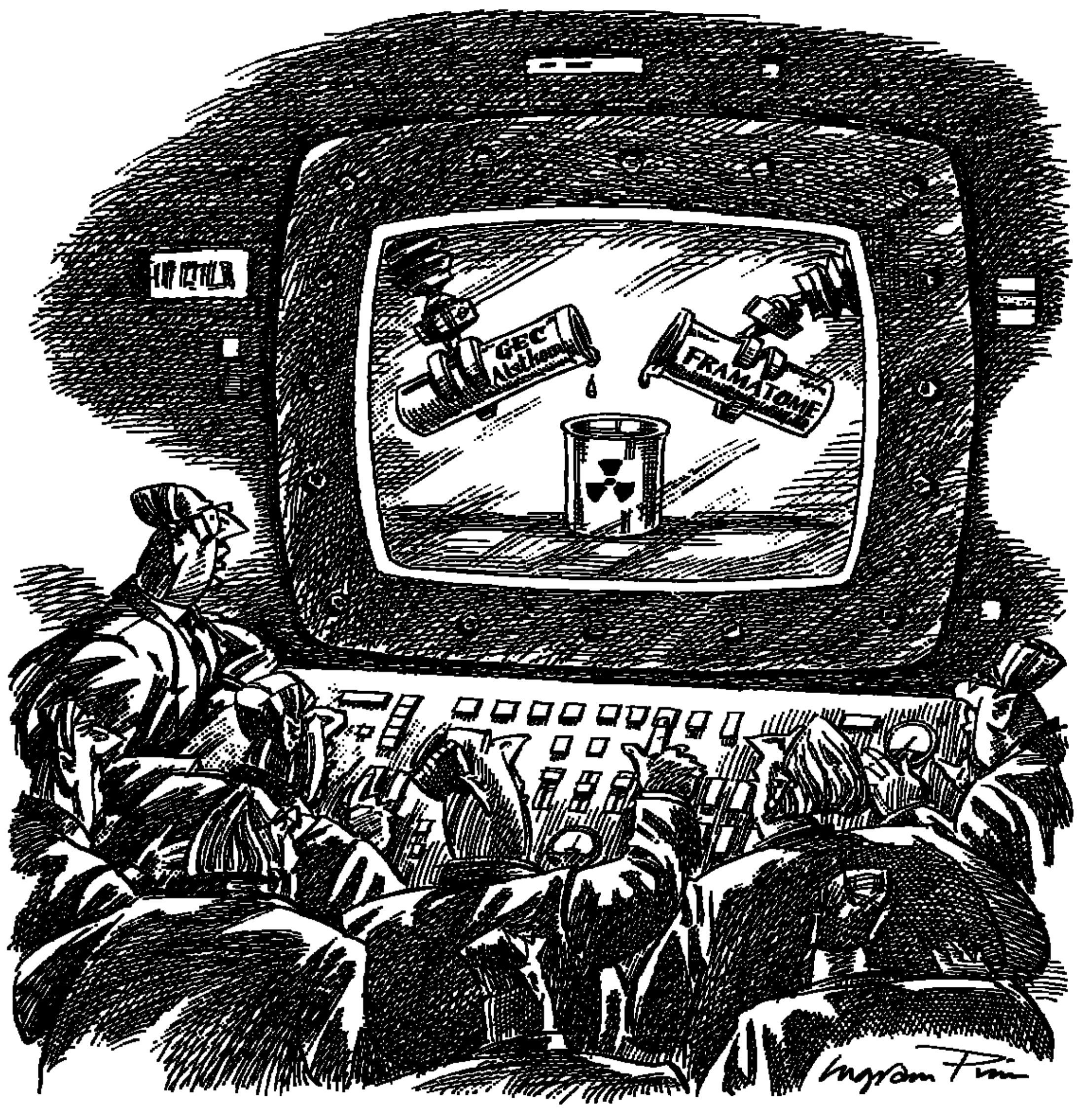
At first sight, it seems bizarre that GEC should now want to invest in nuclear engineering, given the industry's depressed state. In North America and western Europe, which pioneered civil nuclear power, the order books for new nuclear plant stand close to zero. There is great need for modernising Soviet-designed plants in the former Communist bloc – but very little money to pay for the work.

Only in east Asia, notably in South Korea and China, is there a genuine appetite for building new nuclear plants. But these projects take years to come to fruition and attract intense price competition from the leading manufacturers – Westinghouse and General Electric of the US, Framatome and Germany's Siemens. Whenever one company wins an order – as GE did this year in Taiwan – it is accused by rivals of suicide bidding.

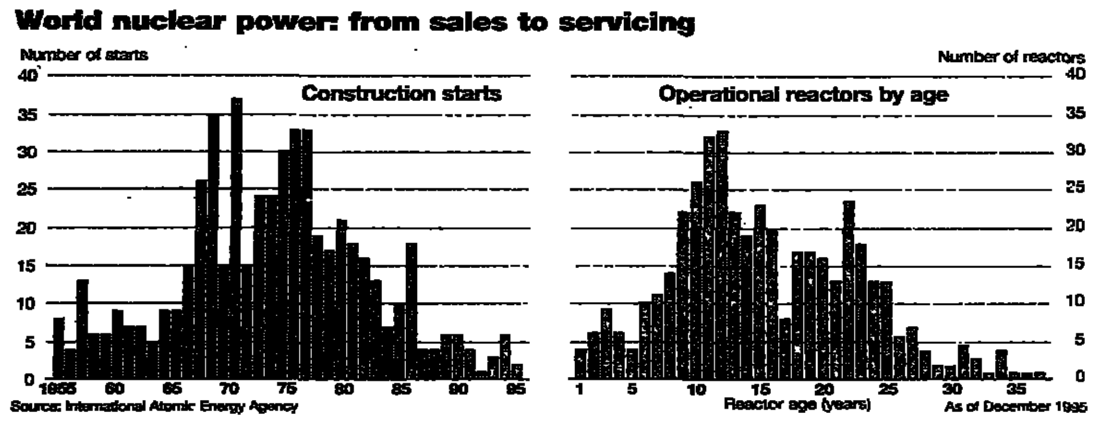
East Asian orders do not compensate for lack of business elsewhere. According to the NEA, the industry has started work on just 16 reactors since 1990 compared with more than 30 a year in the heyday of the 1970s. Mr Ray Sero, general manager of Westinghouse's nuclear business, says: "There is no prospect of recovery."

Moreover, the deregulation of the world electricity industry is intensifying competition among power equipment suppliers.

The equipment suppliers have reacted by shedding staff and trying to improve their efficiency.



World nuclear power: from sales to servicing



For example, in the past decade, Siemens has cut jobs in nuclear engineering from 10,000 to 3,500. Westinghouse has come down from 10,000 to 6,700. Framatome, the world's largest which has the capacity to build three reactors at once, has mothballed factories and halved its nuclear engineering and construction staff to 3,000 in the past decade.

Given the lack of new orders, the industry relies on servicing, making spares and refuelling reactors. With some 435 reactors operating around the world, this is a substantial business with an estimated annual turnover of between $10bn and $20bn, excluding the work utilities do for themselves. The biggest chunk is replacing the uranium fuel rods which power the reactor.

Ten years ago, plant suppliers could rely on utilities to buy spares and fuel from the original equipment suppliers, which dominated their home markets. But the growing commercial-mindedness of utilities is encouraging international competition in servicing. ABB has recently acquired a specialised nuclear services business in France. Siemens is touting for orders in the US. Japan's Mitsubishi Heavy Industries, a close ally of Westinghouse in nuclear technology, recently sold replacement steam turbines to Belgium.

Mr Richard Suidek, head of ABB's US-based nuclear business, says: "New plants are getting older and need more work, but competition is putting pressure on prices."

GEC has long coveted Framatome, the pride of French nuclear engineering. It believes linking with Framatome would be the logical follow-up to the creation of GEC Alsthom, formed in 1989 from the merger of GEC's power and transport engineering interests with Alcatel's.

GEC Alsthom has worked with Framatome on nuclear projects since its foundation, both in France and abroad. In China, the partners have built two nuclear stations and are building a third and a fourth. Framatome supplies only the reactors and nuclear-related equipment. The non-nuclear plant, including the turbines, comes mainly from GEC Alsthom.

Similarly in servicing, the two companies pool their expertise, notably for their biggest customer, Electricité de France, the state-owned generator. The potential synergies are great. As Mr Malcolm Bates, GEC's deputy managing director, says: "Framatome would round out GEC Alsthom's portfolio. It's the same industry. The same customers."

Nor, given the split between Framatome's nuclear and GEC Alsthom's non-nuclear responsibilities, would there be much need for politically-sensitive cuts in the combined group's 90,000 workforce, says Mr Bates.

A merger would also simplify arguments between the two companies over costs and profits on joint contracts. Mr Serge Tchuruk, the Alcatel chairman, memorably described the present situation as "a piece of gibberish whose operational management is too complex when you need to react to things".

Framatome has suffered from the nuclear recession as much as other equipment suppliers. It has cut costs, diversified into electrical connectors and, armed with FFr6bn ($1.1bn) in cash, started looking for a third operation. However, diversification has not prevented the company's overall turnover from shrinking. Sales from nuclear activities are set to decline from FFr14.3bn in 1994 to FFr8.8bn this year.

Framatome, however, has long guarded its independence and until now has been protected by the French government's reluctance to sell a stake in the country's showpiece nuclear programme to foreigners.

But the pressure to restructure and privatise state-owned assets to improve their poor financial performance seems finally to have persuaded the French state to think the unthinkable and let control of Framatome slip from its hands. Nevertheless, it will almost certainly insist that French shareholders remain in the majority.

GEC believes its patience will pay off. It also believes that a modest recovery in nuclear construction may be closer than most of the industry expects. Whereas Siemens does not expect a significant pick up in new orders in the west before 2010, GEC believes it may come soon after 2000. "The general view we have is that the nuclear industry will come back after the turn of the century," says Mr Bates.

Industry executives believe a merger could lead to a substantial overhaul of state-owned Framatome, forcing its civil servant managers to become more business-minded. Even if there is little scope for job cuts, GEC's record in improving the financial performance of its acquisitions suggests it will find opportunities at *Framatome*.

The merger raises questions about the future of Nuclear Power International, a joint venture formed in 1989 by Framatome and Siemens to develop a reactor called the European pressurised water reactor. The aim is to develop areactor for France and Germany and for export. In 1995, the project started an Ecu120m ($149m) design programme, scheduled to last two or three years.

The first reactor could be commissioned in about 2005. Framatome says it expects no change in the partnership. "GEC has no nuclear expertise," it says.

Siemens is examining the impact of a merger on the joint venture. In principle, there is no reason why the partners should not continue. In practice, they could be influenced by rivalry between Siemens and GEC.

In the longer term, if the merger results in a more efficient Anglo-French nuclear industry it will put further pressure on competitors and encourage more restructuring.

A big question facing the industry concerns Westinghouse, once the world's largest reactor builder. Westinghouse has recently expanded its media interests and is considering demerging and possibly selling its manufacturing businesses – including nuclear engineering.

· OBSERVER ·

Walking tall in LA

■ Lady Liberty of Liberty Island has been carrying her torch alone for too long, according to Michael Levine. She needs a sister on the west coast – entry point for most new US immigrants – to remind newcomers and regulars alike that liberty has its price.

The Beverly Hills publicist, whose clients have included the likes of Michael Jackson and Charlton Heston, has ignited what he hopes will be a "prairie fire" of debate on his proposal for a Statue of Responsibility in Los Angeles Port.

Backed by Republican stalwarts such as Congressman Sonny Bono – of *I Got You Babe* fame – Levine says incipient chaos in US society is the result of placing too much reliance on the concept of liberty untrammelled. Despite an accompaniment of Bronx cheers from east coasters, and a distinctly guarded response from local politicians, he's sticking admirably to his task.

Orange County, famous for the most spectacular bankruptcy in municipal history, has shamelessly offered a site. But Levine favours the harbour, even though the only people who would see the thing would be cruise ship trippers and the world's best paid dockers.

With impeccable logic, he says the $5m to $10m needed should come from private sources since "it would be ridiculous to build a Statue of Responsibility and then ask the government to pay for it".

The debate over design and what the LA Lady should hold should also be open to public contributions, he says. Observer fancies a smoking gun for best effect, but would be just as happy to see a Thatcherite handbag.

Glinting Rae

■ The last thing the Canadian Auto Workers union needs right now is a stab in the back. The union has its hands full with an escalating strike against General Motors, which by tonight will have shut all the company's plants in Canada.

Yet a glinting stilletto is even now working its way under the CAW's ribcage, in the form of the memoirs of Bob Rae – former social-democratic premier of Ontario and once a close CAW ally – which have just been published.

Rae's recollections are less than flattering to the CAW's leadership. In March 1993 he was desperately seeking ways to rein-in Ontario's spiralling budget deficit. As the biggest non-sovereign borrower on international capital markets at the time, the provincial government had little choice but to demand concessions from the unions.

The unions had other ideas. Rae recalls that Bob White, the CAW's former leader and now head of the Canadian Labour Congress, asked: "Why can't Ontario do just like the Reichmanns and declare bankruptcy, and maybe pay 50 or 60 cents in the dollar?"

That sort of helpful attitude cost Rae his job in elections last year. One good turn deserves another; Rae's knife will perhaps help GM in its punch-up with the CAW.

Banking's A B C

■ At last, the decision we've all been waiting months for. The merging banks Crédit Local de France and Crédit Communal de Belgique have come up with a name for the combined group. It is . . . Dexia.

Dexia?

Apparently the brief was to find something short, snappy and easy to pronounce in all languages, and without vulgar connotations. Bessis, the French design agency that came up with the name, reckons that Dexia also sounds youthful; that the X in the middle suggests masculine things such as partnership; and the A at the end conjures up feminine qualities, such as service and suppleness.

The two banks stress the exercise probably only cost them about FFr500,000; cheap at the price, eh? Moreover, most of the loot went not on the work involved in thinking of the name, but on the legal cost of checking that it had not been registered anywhere by anyone else.

Not much risk of that, one might have thought.

E is for emetic

■ The name of the British Broadcasting Corporation's new, monthly current affairs TV programme about the European Union has proved a classic Euro-fudge. Anxious to avoid viewer turn-offs such as 'Europe' or 'Euro' anywhere in the title, the producers first hit on the idea of 'Continent'. That swiftly got the boot when someone expressed horror at the thought of presenters starting the show with the words, "And in Continent today . . ." The final choice – 'The E-files' – is reckoned by BBC types to be trendy but perhaps too enigmatic. Confides one: "We're a bit concerned that the only viewers we'll get are students and ravers who think it's about Ecstasy, or people who think it's a misprint for The X-files."

The Financial Times

100 years ago

The Turkish Budget

Under-estimates appear to be the rule in Turkey, not only in regard to the number of the massacred Armenians, but also in financial matters. The Budget Commission has estimated the current year's deficit at only one million pounds Turkish, but, according to Reuter's Constantinople Correspondent, "competent authorities place the figure between three and four millions." It is an extraordinary thing how the Turks pursue a policy of prevarication whenever they are in trouble and think, like the ostrich, that *they are safe from all* afflictions if they bury their heads in the sand.

50 years ago

Sea and Air

Last April, at the annual meeting of the Cunard Steamship Company, Sir Percy Bates stoutly declared his belief that sea and air methods of transportation are complementary rather than competitive. The air, he declared, would not only breed its own traffic, but also create traffic *for* the sea. But he tempered his confidence by reference to the dangers which might arise if air were to receive "an indirect subsidy of an indefinite amount."

FINANCIAL TIMES
Wednesday October 9 1996

Negotiations with Russia to start next year

Nato moves to calm fears on enlargement

By Bruce Clark in London

Nato said yesterday it was prepared to enter broad negotiations with Russia next year about the balance of conventional forces in Europe.

The move is aimed at easing Russian concerns over Nato's plans to enlarge. Russian officials have complained that if Nato expanded to the east, the western security alliance would unilaterally be adding a share of the former Warsaw Pact's arms quota, under the 1990 treaty on conventional forces, to its own arsenal.

Western arms control negotiators in Vienna said yesterday that they were ready to engage in a wide-ranging re-examination of the treaty, which sets limits on the stationing of tanks, artillery and aircraft across Europe.

Their suggestions are also aimed at securing agreement on the way forward in arms control at a European security summit in Lisbon in December. The last such summit, in Budapest in December 1994, turned into a fiasco after Russia's President Boris Yeltsin accused Nato of creating "cold peace" in Europe through its plans to embrace new members.

As part of its effort to extract a high diplomatic price for agreeing to Nato's expansion, Russia has been pressing Nato for formal assurances that it will refrain from deploying foreign troops or armour on the soil of new members.

A cut in arms holdings in various regions of an enlarged Atlantic alliance could be one way for Nato to assure Moscow that it will not face a huge weapons build-up on its doorstep, according to arms control experts.

A review of the "zonal structure" of the accord, which is strongly resented by Moscow, is also being offered by Nato. This is a formula which limits arms holdings in the northwestern and southwestern regions of Russia.

"These proposals should help to soothe the Russians, although they will not like the western emphasis on preserving as much as possible of the treaty," said Ms Sarah Walkling of the Arms Control Association, a US think-tank.

The western alliance wants to avoid a total negotiation of the conventional forces treaty, which has helped to banish the spectre of military confrontation from central Europe.

US officials have said that some of Russia's concerns over the treaty are legitimate and should be addressed in a flexible way by Nato.

But some of Nato's smaller members, including Norway and Turkey, have voiced concern over Washington's willingness to make concessions over CFE.

● Mr Alexander Lebed, the Russian national security adviser, confirmed during a tour of Nato's military headquarters yesterday that Russia hoped to play a "serious part" in any military force which the western alliance deploys in Bosnia next year. He also said Russia would participate more fully in Partnership for Peace, the Nato-led military co-operation programme.

Tories plan strict curbs on strikers in election move

By Robert Peston, Political Editor

Britain's Conservative party will pledge itself today to introduce new deterrents on strikes by workers in essential public services that would be among the most severe in the industrialised world.

The move, to be announced at the party's annual conference, is aimed at putting industrial relations at the heart of a national election campaign which must take place within the next few months.

Mr Ian Lang, the trade and industry minister, will unveil plans for strikers in industries such as rail, the Post Office and the fire service to lose their immunity from legal action for damages.

This would allow consumers and businesses who suffer losses or increased costs as a result of a strike to sue the unions involved. "They could end up paying damages running to millions", said a senior member of the government yesterday.

Mr Lang expects his initiative to be popular with Conservative activists attending the conference in the seaside resort of Bournemouth, who have had little to cheer about in recent months as the party's standing in opinion polls has lagged far behind that of the opposition Labour party.

Moreover, the party has suffered from a deep internal split over policies about Europe. Yesterday's meetings were dominated by squabbling between former ministers over whether sterling should join European Monetary Union.

Prospects for party unity improved on the conference platform with a kiss between Mr John Major, the prime minister, and his predecessor, Baroness Thatcher, following two years of coded attacks on each other.

In the evening Lady Thatcher said it was "good to know the affairs of this nation are in such safe hands", as she called on Tories to "stop the talking and get cracking" in the battle against Labour.

Mr Lang will say today that the industries affected by his proposal to remove the legal immunity of strikers would be those where strikes cause significant disruption to the public.

Most likely to be affected therefore are "essential public services which have an element of monopoly about the service they provide", said a senior member of the government.

Canadian and Briton win Nobel prize for economics

By Graham Bowley in London

Professor William Vickrey of New York's Columbia University yesterday became the first Canadian to win the Nobel prize for economics, sharing the $1.12m award with Professor James Mirrlees, professor of political economy at Cambridge University, the seventh Briton to win the prestigious prize.

Prof Vickrey, professor emeritus at Columbia University, is best known for his work on how auctions can be best designed to generate economic efficiency. His work has influenced the design of the large-scale privatisation programmes of recent years and the sale of oil drilling rights in the US.

The 82-year-old, born in British Columbia, is also renowned for his famous study of the New York subway fare system in the 1950s, which looked at how governments could provide an efficient public service at the same time as covering costs.

Prof Mirrlees, a taciturn Scot and one of Britain's most distinguished economic theorists, is famous for his "optimal taxation" theory, the first to express mathematically the trade-off between higher taxes and the distortions these introduce by reducing people's incentives to work.

His theory challenged the view that people on the highest incomes should pay more tax on every extra pound they earn than those with lower incomes. Instead, his work implied the optimal tax system was one in which everyone paid the same marginal rates of taxation.

The Royal Swedish Academy of Sciences said the two economists had been awarded the prize, the most highly regarded in economics, "for their fundamental contributions to the economic theory of incentives under asymmetric information".

One conclusion of Prof Mirrlees's work, which colleagues say he found slightly embarrassing, was that under certain conditions the very highest earners should pay a zero marginal tax rate.

Prof Mirrlees, 60, is also recognised for his work on the economics of uncertainty and for his work on project appraisals, which applied cost-benefit analysis to developing countries.

"My subject has always been economics and human welfare. It is a delight to have been able to contribute to that field, and to have it recognised," he said. Prof Vickrey said the prize would give him the opportunity to fight "the holy grail of budget-balancing".

Russian energy pledge

Continued from Page 1

openly voicing his Kremlin ambitions while Mr Yeltsin was still in charge of the country.

Opposition politicians warned that the escalating presidential struggle between the country's top politicians had left the nation without an effective government. "There *are now three governments*," said Mr Grigory Yavlinsky, leader of Yabloko, Russia's strongest democratic opposition party.

Instead of addressing Russia's problems, he said these dominant "clans" were concerned with "recarving spheres of influence and getting access to budgetary funds and revenues".

Tobacco sale

Continued from Page 1

higher than the 10 per cent goal set by American Brands. Although the transaction is being presented as a spin-off, American Brands is in effect selling Gallaher because it is making the subsidiary borrow $1.4bn and hand it over to Fortune Brands, which will use it to repay its own debt.

THE LEX COLUMN

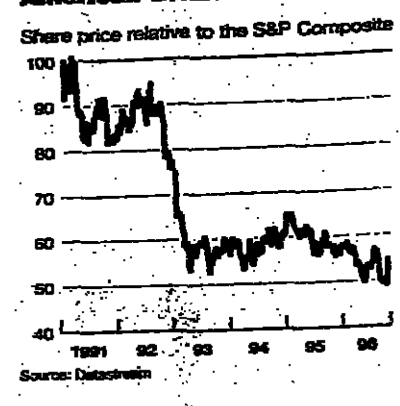
Kicking the habit

The demerger of American Brands' UK cigarette subsidiary, Gallaher, says little for the efficiency of stock markets. American tobacco litigation fears continued to dog American Brands' share price two years after it sold its entire US tobacco business. So the group has decided the only way to kick this habit is to get out of tobacco altogether.

The timing, however, looks perfect. Hanson's recent demerger of Imperial Tobacco demonstrated that UK tobacco companies attract decent valuations, even when loaded with debt. Gallaher should attract a similar enterprise value of £3.2bn ($5bn) – it is marginally less profitable, but has stronger brands and greater scope for efficiency gains – and American Brands is sensibly off-loading $1.4bn of borrowings. This will keep existing shareholders happy with the prospect of more share buy-backs and the unequivocal removal of litigation threats. They might have preferred a trade sale to BAT Industries or Japan Tobacco, both logical suitors, but the resultant tax bill would outweigh any benefits. Besides, bid speculation should support Gallaher's share price, even if a bid looks like an outside chance.

The Gallaher spin-off must increase the pressure on RJR Nabisco to demerge its food business, which in turn would put the heat on Philip Morris and BAT. American Brands has acted swiftly to ensure that concerns about tobacco, however ill-founded, do not depress the rest of the group. Tobacco conglomerates should take heed.

FT-SE Eurotrack 200: 1807.2 (-4.2)



Gazprom

Investors should take the sales patter of Gazprom's current share offering with particularly hefty pinches of Siberian salt. Simply because the company has colossal gas reserves does not mean it is necessarily worth a fortune. It is not the notional value of Gazprom's assets that will determine the company's value but what return it can make from them. And on that point, investors will have to make their own guesses. They will certainly not be able to discern from the prospectus whether the company makes a profit on any international definition; not even a cashflow statement is offered. Nor is the dividend much of a lure; the offering price implies a historic yield of 0.25-0.3 per cent.

Then there is the unnerving fact of an offer price four times that at which Gazprom shares trade in Russia. True, the domestic shares should be worth less – not least thanks to Gazprom's heavy-handed rights over them – but such a huge discount is tricky to explain away. And while Gazprom may be right that it can prevent domestic shares from leaking out and depressing the international price, the result – grotesquely unfair treatment of existing shareholders – raises awkward questions over the group's alleged commitment to shareholder value.

For many, Gazprom's unique scale and clout is a reason to put money on its prospects at almost any price. They may turn out to be right. But investors should be clear; this offering is a high-stakes gamble, not a bargain.

LucasVarity

That old bride Lucas is putting Varity, her smart young groom, through its paces. While Varity unveiled dull second-quarter figures yesterday, Lucas is finally doing rather well. Its last set of independent results showed rising market share and margins. Looking at economic value added, the favourite yardstick of new chief executive Mr Victor Rice, four out of five Lucas divisions are already beating their hurdle rate of a 20 per cent pre-tax return on capital; even aerospace is close, which is more than can be said for Varity's own braking business.

This does not mean Lucas is beyond improvement. There is work to be done on costs, on focusing development spending and most of all on cash generation – working capital is 18 per cent of sales against 6 per cent at Varity. But since this is meat and drink to Mr Rice, the promised £130m of merger savings look secure. LucasVarity should therefore produce a one-off enhancement in earnings per share of 20 per cent and annual earnings growth of 15 per cent until the end of the century.

That leaves one real challenge: the group's strategic position. While the merger has improved its market shares in brakes and diesels it is not number one in either. There will also come a time when it will have to double up in aerospace or sell out – and a merger rather than an acquisition could be the solution. Best of all might be a deal to open up the Far East, perhaps based on the existing relationship with Sumitomo.

VNU/Blenheim

It would be premature to talk of a walk down the aisle, but after a protracted whirl of courtships, exhibition group Blenheim may at last be within sight of the church door. The Dutch publisher VNU has emerged as an unexpected suitor following a dawn swoop which captured 14.9 per cent of Blenheim. The question now is how Blenheim's earlier beaux will respond. Both United News and Media and Reed Elsevier balked at paying the £5 a share Blenheim was asking, and which VNU stumped up for its stake. It is by no means clear that they will reassert their affections, since both will be sensitive to accusations of overpaying.

VNU appears to have played a good hand. Even if the holding is treated simply as an investment, it will wash its face: its share of profits next year will be £7m-£8m, which will more than cover the interest charge on the purchase price. If a bidding war follows, it will turn a nice profit on its stake. If not, it has a platform from which to bid itself. This seems likely, as it will allow it to make up lost ground on fellow Dutch publishers Elsevier and Wolters Kluwer, which have stolen a march in recent years. But by not committing itself to a full takeover immediately it gains an opportunity to find out if there are unexpected demons lurking in the company. Blenheim has done a lot to clean up its act in recent years, but there remains residual scepticism about the quality of its earnings.

Additional Lex comment on taxing buy-backs, Page 18

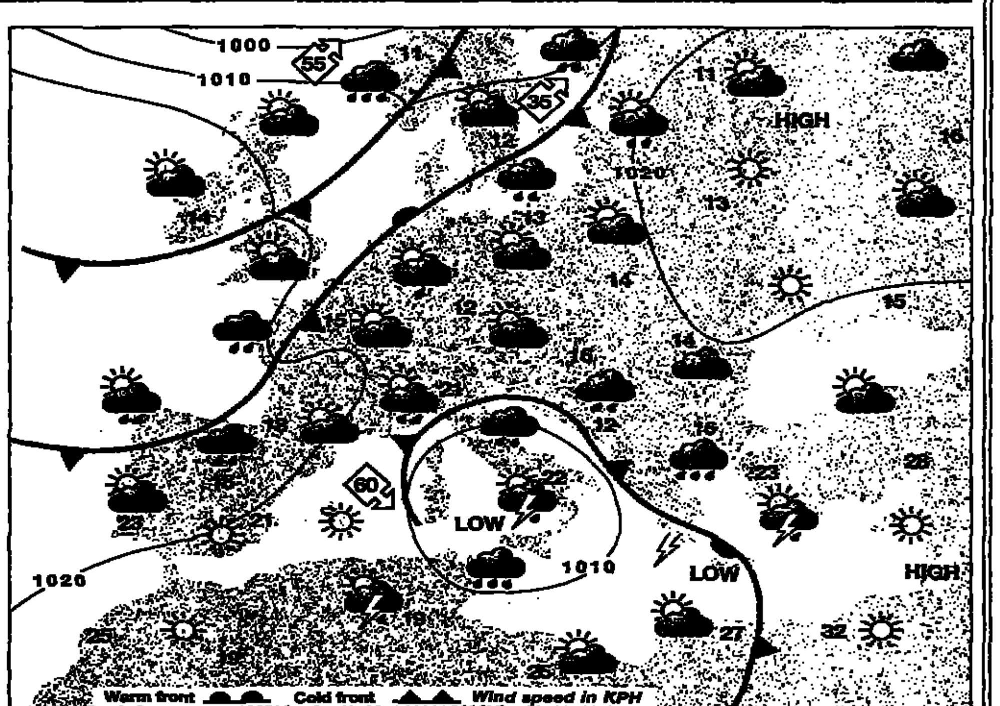
FT WEATHER GUIDE

Europe today

The British Isles will have sunny spells. Scotland and Ireland are likely to have showers. Northern Spain, northern France, the Benelux and southern Scandinavia will have cloud and rain. The Norwegian coast will have heavy rain. Northern Germany will have some rain. The Alps and Switzerland will be mostly cloudy and dry. Southern France and most of Spain will have sunny periods. Italy, the Balkans and Greece will have rain and thunder showers. Southern Turkey will have scattered thunder showers.

Five-day forecast

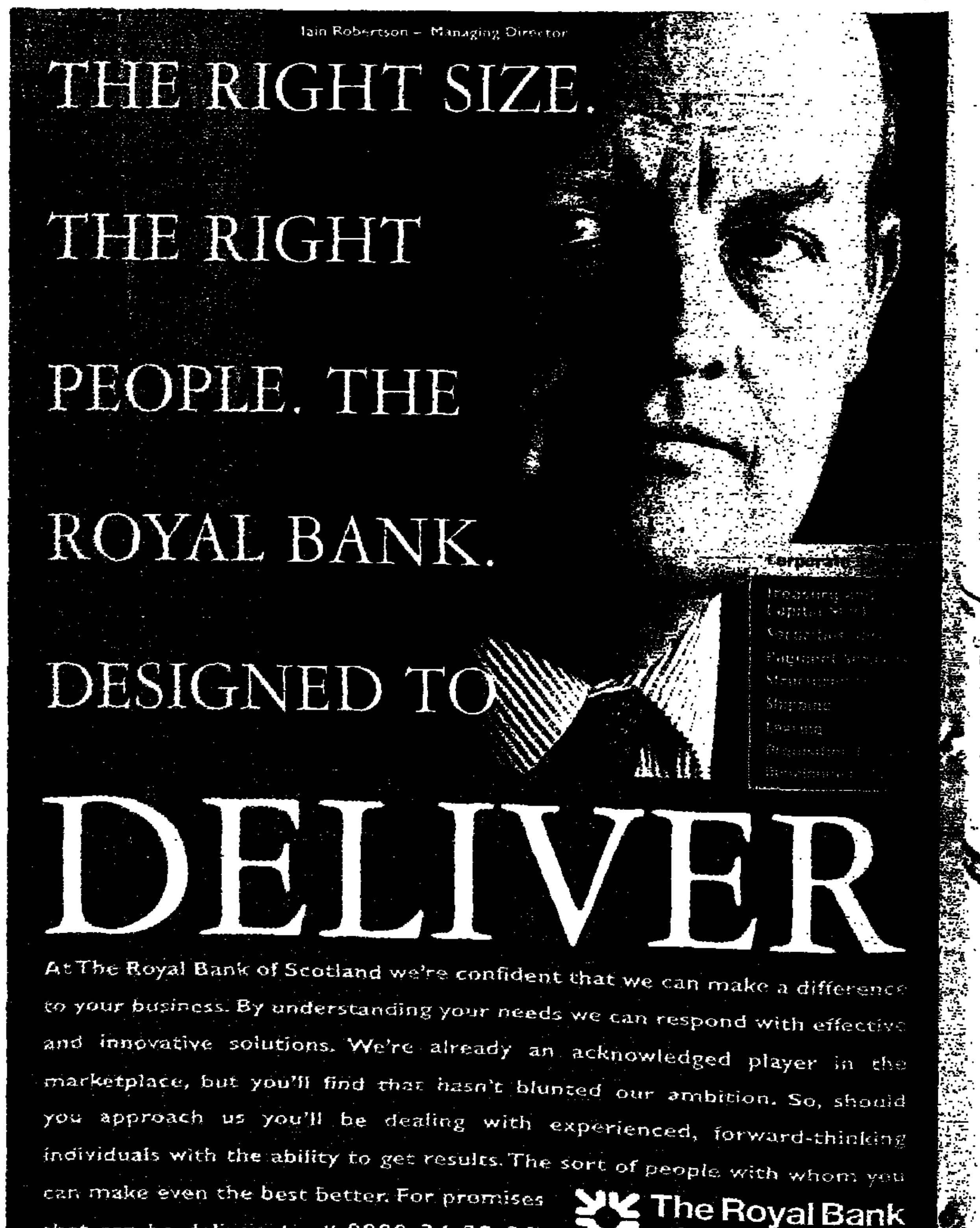
High pressure over the Atlantic will bring generally dry and sunny conditions to most of western Europe. The rain and thunder showers over the Mediterranean will move to the east.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	sun 21	Caracas	fair 34	Faro	sun 23	Madrid	fair 20	Rangoon	fair 31
	Celsius	Belfast	fair 14	Cardiff	fair 14	Frankfurt	shower 14	Majorca	sun 20	Reykjavik	sleet 6
Abu Dhabi	sun 35	Belgrade	rain 16	Casablanca	sun 23	Geneva	shower 15	Malta	thund 23	Rio	cloudy 23
Accra	thund 31	Berlin	fair 15	Chicago	cloudy 11	Gibraltar	sun 20	Manchester	fair 14	Rome	thund 20
Algiers	fair 23	Bermuda	shower 28	Cologne	shower 15	Glasgow	shower 13	Manila	shower 32	S. Frsco	sun 28
Amsterdam	rain 15	Bogota	thund 21	Dakar	fair 31	Hamburg	rain 15	Melbourne	fair 24	Seoul	fair 20
Athens	thund 22	Bombay	fair 31	Dallas	sun 28	Helsinki	rain 12	Mexico City	cloudy 19	Singapore	cloudy 30
Atlanta	fair 20	Brussels	rain 15	Delhi	sun 30	Hong Kong	shower 30	Miami	fair 31	Stockholm	fair 13
B. Aires	sun 27	Budapest	fair 16	Dubai	sun 35	Honolulu	fair 31	Milan	shower 19	Strasbourg	shower 14
B.ham	fair 14	C.hagen	rain 13	Dublin	fair 15	Istanbul	shower 19	Montreal	cloudy 13	Sydney	fair 22
Bangkok	shower 34	Cairo	sun 32	Dubrovnik	rain 20	Jakarta	shower 31	Moscow	cloudy 13	Tangier	sun 23
Barcelona	fair 20	Cape Town	windy 26	Edinburgh	fair 14	Jersey	cloudy 15	Munich	rain 13	Tel Aviv	fair 29
						Karachi	sun 34	Nairobi	fair 26	Tokyo	fair 23
						Kuwait	sun 35	Naples	thund 22	Toronto	rain 15
						L. Angeles	sun 26	Nassau	thund 32	Vancouver	cloudy 18
						Las Palmas	fair 26	New York	shower 20	Venice	shower 18
						Lima	cloudy 19	Nice	fair 21	Vienna	fair 15
						Lisbon	fair 22	Nicosia	sun 29	Warsaw	fair 14
						London	fair 15	Oslo	fair 12	Washington	fair 23
						Luxbourg	fair 13	Paris	fair 15	Wellington	fair 13
						Lyon	shower 15	Perth	fair 19	Winnipeg	fair 11
						Madeira	fair 23	Prague	fair 14	Zurich	cloudy 13



FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1996
Wednesday October 9 1996

IN BRIEF

Adidas signs up for World Cup

Adidas, the German sportswear group, has signed a combined sponsorship and licensing agreement for the 1998 football World Cup in France. This is the first time a sporting-goods group has been given such extensive rights in the competition, one of the world's most watched sports events. The announcement lifted Adidas shares, which ended DM1.40 higher at DM143.40. Page 16

SocGen to buy S Africa broker
Société Générale, the French bank, is set to announce today it has acquired majority control of Frankel Pollak, one of South Africa's largest stockbrokers. The deal, for an undisclosed sum, is part of the bank's continued efforts to expand its equity operations around the world, often through buying established groups. Société Générale is buying 51 per cent of Frankel Pollak, with the partners retaining the rest. Page 14

Merrill Lynch cuts jobs in equity trading
Merrill Lynch, the leading equity trader in the UK, is to cut 14 of its 64 marketmaking staff ahead of the introduction next year of order-driven trading in the top 100 shares in the London market. Merrill's announcement, coming after similar moves by NatWest Markets and SBC Warburg, increases the pressure on other investment banks to take action. Page 18

LucasVarity seeks £130m savings
LucasVarity, the Anglo-US automotive and aerospace components group created by the recent merger of Lucas Industries and Varity Corporation, is looking for initial savings of at least £130m. The enlarged company, which reported sharply improved annual profits from Lucas Industries, predicted operating savings of £65m a year, and a similar amount from tax savings once the two companies had been fully integrated. Page 18

BPI-CityTrust link cleared
Bank of the Philippine Islands (BPI), the country's third largest, yesterday received the green light to merge with CityTrust Banking Corp, the seventh largest. The tie-up is the domestic banking sector's first big consolidation since it was opened to foreign competition last year. Page 17

...ef price changes yesterday

		Hanes	368.4 + 11.4
370 + 9		SBS-Thomson	249 + 17
695 + 13		Falls	
1003 + 23		Credit Natl	256 − 11.7
		Remy Cointreau	125.7 − 4.3
2700 − 95		UFB Locabail	447 − 17
265.0 − 8.5		TOKYO (Yen)	
		Falls	
36 + 3¼		Godo Shusei	318 − 15
27¼ + 2¼		Bergami Tsushi	821 − 24
20¼ + 1¾		JSC	1180 − 50
29¾ + 2¼		Mitsui Petroleum	704 − 41
		Murata Mfg	3640 − 150
		Sumitomo Heavy	403 − 17
19¾ − 2¼		HONG KONG (HK$)	
41¼ − 2¾		Rises	
		Asia Credit	2.675 + 0.2
117½ + 15		Hang Tai Intl	1.76 + 0.2
767½ + 50		Oriental Telecom	2.3 + 3.6
122¾ + 10		Perfect Tr	1.47 + 0.15
		Falls	
50 − 12½		Glorious Sun	3.925 − 0.675
1187½ − 62½			
110 − 22½		Kwoon Chung	2.075 − 0.225
47.0 + 2.9		BANGKOK (Baht)	
14.5 + 0.85		Rises	
17.35 + 1.35		Advanced Info	334 + 30
23.2 + 1.2		Mutual Fund	205 + 18
		TPI Polene	61.0 + 5.5
11.6 − 5.1		Wat St Fin	74.5 + 6.5
22.75 − 1.75		Falls	
		Thai Poly	39.5 − 4.0
4120 + 101		Thai Wire Prod	29 − 3

...k and Toronto prices at 12:30.

Hopewell poised for Cepa sale

By John Ridding in Hong Kong

Hopewell Holdings, the Hong Kong property and infrastructure group, appears set to sell all or part of its controlling stake in Consolidated Electric Power Asia (Cepa), following yesterday's suspension of shares in the power project company.

The sale of a Cepa stake could raise more than HK$14bn (US$1.8bn) for Hopewell if it involved all of its 80 per cent stake. The move comes a few weeks after it announced it was in talks concerning Cepa. Potential buyers include US utilities and power groups from Europe seeking to expand in the Asian energy market.

The sale of a Cepa stake would ease the group's debt burden and help fund projects in Thailand and China. But industry analysts said Mr Gordon Wu, who manages both Hopewell and Cepa, might prefer to sell a minority stake and retain a holding in the company.

"If Hopewell sold all of its stake in Cepa, then it would lose one of its most attractive assets," said Mr Desmond Cheung, sector analyst at Vickers Ballas. "Cepa has recently completed some big projects and these are beginning to bring returns."

Without Cepa, Hopewell would rely on earnings from real-estate assets in Hong Kong and on infrastructure projects in southern China and Thailand. "Earnings prospects would be poor if the whole Cepa stake was sold – at least until new projects are brought to fruition," said one investment banker.

It is the costs of these new projects, including an elevated railway in Bangkok, which has increased the pressure on Hopewell to raise new funds. Financial analysts in Hong Kong estimate the group's debts, including those consolidated from its joint ventures in China, at more than HK$25bn.

"They really need to raise cash, even if it is just to buy time to arrange project financing for the Bangkok project," said one banker. "Having abandoned plans to spin off its transport businesses, the sale of a big chunk of Cepa shares seems the main option."

For buyers, a stake in Cepa would provide an alliance with one of the pioneers in the region's independent energy sector. Cepa has won contracts in China, the Philippines and Indonesia and is negotiating a large project in India. In the summer, it launched commercial operations at the Shajiao C power plant in southern China, and it recently signed a letter of intent to build four 660MW units in Shenzhen, across the border from Hong Kong.

The price per share, say analysts, would depend on whether Mr Wu decided to sell all or part of Hopewell's stake. "If they go for the 60 per cent then we are looking at HK$18 or more," said one analyst. Yesterday, Cepa's shares were suspended at HK$16.10. Hopewell's were suspended at HK$4.425.

Dawn raid by VNU nets 14.99% Blenheim stake

By Motoko Rich in London

VNU, the Dutch publishing and information services group, yesterday launched a dawn raid on Blenheim, the UK exhibitions organiser, snapping up a 14.99 per cent stake in the company.

VNU said it had no immediate plans to bid for Blenheim. However, it added: "We reserve the right to do so in the event of a full offer by a third party."

Blenheim yesterday confirmed it had received takeover approaches from other parties, and would pursue these talks.

Shares in the exhibitions organiser, which has been the subject of bid speculation since June, jumped 28½p to 464p yesterday after it emerged that NatWest Securities, acting for VNU, had bought nearly 14m shares at 500p each.

VNU has bought the maximum stake allowed under takeover code rules without making a formal bid. Its shares closed at Fl 32.90 in Amsterdam yesterday, down Fl 0.60.

Blenheim said it had been aware of VNU's interest in the company, but "did not encourage this course of action". It is believed to have conducted informal talks with VNU.

Bid speculation first emerged in June, when United News & Media, the publishing, media and financial services company, is thought to have approached the group about a possible offer of 450p a share, valuing the company at £490m ($766.3m). Speculation about that sent Blenheim's shares to a high of 470p in summer.

Reed Elsevier, the Anglo-Dutch publishing and information group, emerged as a potential suitor in July. A takeover by Reed would have made the enlarged group the world's largest exhibitions company.

VNU, United and Reed would all be logical parents for Blenheim because they could use their business magazines to promote Blenheim's exhibitions operations.

Blenheim is believed to have rejected an offer from United as too low in August. It is thought Reed backed off from active talks around that time.

Mr Anthony de Laranaga, analyst at Panmure Gordon, said: "It seems that what Blenheim wants is someone to pay a figure with a five in front of it."

Shares in United closed up 17p at 676½p. Analysts suggested the market was ruling out United as a potential suitor.

Any bidder for Blenheim is likely to need a recommendation from the board. Directors and their relatives control about 28 per cent of the ordinary shares, and a further 15 per cent is concentrated in the hands of Compagnie Générale des Eaux, the French water utility.

Picture: EMPICS
Wage inflation: Peter Schmeichel is among 13 Manchester Utd stars on new lucrative long-term contracts. Details, Page 18

Telekom may face retail deluge

By Andrew Fisher in Frankfurt

German private investors, long shy of equities, have shown signs of subscribing to the imminent Deutsche Telekom share issue in such numbers that there could be political embarrassment if their applications have to be scaled back.

Bankers involved with the issue say retail investors may now account for a much larger share of the initial public offering (IPO) than expected. It will be Germany's largest, at about DM15bn ($10bn).

If their allocations have to be pared back considerably to leave enough shares for institutional investors, this could conflict with the government's aim of using the IPO to promote equity-consciousness among the German saving and investing public.

On original estimates, up to half of the shares in state-owned Telekom were expected to be sold in Germany. That proportion could now reach 75 per cent.

Banks in the issuing consortium will be under heavy pressure to give priority to retail investors, especially those who registered early for the IPO and apply for the maximum 300 shares under which special incentives apply.

Retail investors have been encouraged by Deutsche Telekom's business strategy, its position in the world telecommunications market and its improved image after the clumsy introduction of a tariff schedule in January.

They are also attracted by the prospect of a dividend yield of up to 7 per cent (including the domestic tax credit), which would exceed that of a 10-year government bond.

This would be based on an possible issue price of about DM25.

The price will be set by the bookbuilding method, in which investors' intentions are assessed in advance.

The price range will be set on October 22, with Deutsche Morgan Grenfell, the investment banking unit of Deutsche Bank, acting as global bookrunner. Co-leading the international issuing consortium are Dresdner Bank and Goldman Sachs, the US investment bank. The issue price will be fixed on November 17.

Tchuruk sees French leading defence shake-up

By David Buchan in Paris and Ross Tieman in London

Mr Serge Tchuruk, head of Alcatel Alsthom, yesterday made clear his determination to ensure that French interests dominated the looming consolidation of the European defence electronics industry.

He said if Alcatel beat rival Lagardère in the bid battle for Thomson, the French national electronics group, it would bring in foreign partners, but retain "the majority [stake] and operational control" of any enlarged defence business.

Mr Tchuruk told French newspaper Le Figaro the enlarged group would be bigger in defence and space than any other European group.

His remarks will set the stage for tough negotiations with General Electric Company of the UK, and possibly Daimler-Benz Aerospace (Dasa) of Germany, if Alcatel wins control of Thomson.

GEC believes a group made up of its Marconi defence business and Thomson's defence arm, Thomson-CSF, would be the first European company capable of achieving the economies of scale enjoyed by US rivals.

Thomson-CSF has annual sales of FFr36bn ($7bn) and is strong in avionics, communications and missiles. Marconi, with defence sales of £3bn ($4.7bn), is a European leader in avionics, communications, and naval and land systems. But they are dwarfed by US groups such as Lockheed Martin, Hughes, McDonnell Douglas and Raytheon.

The privatisation of Thomson will unleash a complex chess game between European defence companies and their governments. GEC already has joint venture companies with Alcatel, Thomson-CSF, and Lagardère. Lagardère, in turn, is close to British Aerospace through its Matra arm, but will want to work with GEC.

Alcatel already plans to spin off Thomson's consumer electronics business, Thomson Multimedia, into a joint venture with an Asian partner if it wins. Lagardère plans an outright sale to an Asian buyer.

Mr Tchuruk said if he won Thomson, the defence arm would be integrated into the heart of Alcatel's large telecommunications, cables and systems business.

He insisted he did not want to create further hybrid companies. "A constellation of joint ventures would lead to a complex arrangement, [which was] difficult to manage, the source of permanent conflicts of interest, and fragmented in the face of the monolithic approach of American groups."

Daewoo in Europe, Page 14

Barry Riley

Emu teaser as emerging debt heads beyond Brady

This isn't a consequence of European economic and monetary union that most of us worry about, but spare a thought for global bond fund managers. Where will they find diversification in future?

They may have to look further afield, which is why one result of the approach of Emu could be jammed fax machines at several Third World Treasuries. For the more free-spending finance ministers it could be the best (or some might say the worst) development since the loan officer from Citibank came calling with a suitcase bulging with petrodollars in 1975 or thereabouts.

For the time being, however, bond funds are still having a rewarding time with Europe's high-yielders. In 1996, so far the dollar total return on the Italian benchmark government bond has been 23 per cent. Sweden and Spain have returned 13 per cent and 9 per cent respectively.

For comparison, the benchmark German bund, Europe's loser in all this, has returned -2 per cent while the return on 10-year US Treasuries has been just 1 per cent.

Even the European convergence plays have been unexciting compared with some of the emerging market debt. The total return on the J. P. Morgan Emerging Markets Bond Index has been 26 per cent in the past six months.

Emerging debt returns have raced past those of emerging equities, where the global index has risen by a lacklustre 10 per cent this year. GMO's Emerging Country Debt fund was the second best-performing of all US mutual funds in the third quarter.

For Europeans the idea of investing in risky debt has seemed strange. Bonds, surely, are designed to be *safe*. You should invest in equities if you seek risk. But in the US it is much more common for institutions to be constrained to invest only in fixed income paper, which is why demand developed for risk within a bond market framework. That is where domestic junk bonds came in, and emerging market bonds are sovereign junk.

> Emerging debt returns have raced past those of emerging equities

The theory is that so long as the returns on different classes of bonds are poorly correlated it is possible to add return and reduce volatility by rotating among them. Bond managers can add value and hope to be paid higher fees.

In Europe, international bond funds have been expanding rapidly. The funds measured by the consultants Frank Russell have doubled in size to $170bn in five years. In the long run, Russell has found, there is no significant difference in the returns (in a common currency) on developed country sovereign bonds. But there are large short-term variations, making possible significant reductions in risk compared with an exclusively domestic portfolio.

This is where Emu's elimination of currency risks poses such a threat. If it embraces the whole EU, the global government bond funds would be left with only the US, Canada, Japan and maybe Australia to provide diversification, though there will probably also be UK gilts for a while.

Developing country debt could exploit a gap here. There was a strong message from Mr Chris Golden, Nomura's London chief of fixed income research, when he spoke last month at the congress of the European analysts' federation (Effas) in Barcelona. He said, paraphrasing, that if the debt did not exist it would be necessary to create it.

Much of the existing debt, such as Brady bonds, may not be relevant here, because it is denominated in dollars. This paper is being chased mainly by dollar-based US funds. To provide full diversification benefits for global funds the bonds must be denominated in local currency. Watch out, your pension fund may soon be investing in Mexican peso bonds.

There will, presumably, be limits to the quality of paper which will be acceptable. Already there is a J. P. Morgan Emerging Local Markets Index of 10 countries, chosen on complex criteria. Such countries may turn out to be unexpected, and maybe undeserving, beneficiaries of the EU's move to the euro.

Société Générale set to complete S Africa buy

By Andrew Jack in Paris and Mark Ashurst in Johannesburg

Société Générale, the French bank, is set to announce today that it has acquired majority control of Frankel Pollak, one of South Africa's largest stockbrokers.

The deal, for an undisclosed sum, is part of the bank's continued efforts to expand its equity operations around the world, often through buying established groups.

Société Générale is buying 51 per cent of Frankel Pollak, with the partners retaining the remainder. The long-established stockbroker does not publish financial results, but claims to have about 10 per cent of the South African market by volume of transactions, and 21,000 clients. It operates seven offices in the country.

Société Générale already runs an investment banking operation in South Africa, which achieved full branch status this month. Its latest acquisition has been helped by the recent relaxation in the country's exchange controls.

The Frankel purchase comes after the bank acquired a 75 per cent stake in August in Crosby, which has 17 regional offices based across south-east Asia. Soc-Gen has also been building up its presence in central and eastern Europe.

Frankel Pollak is the last of the big Johannesburg stockbrokers to link with an international partner in the wake of the deregulation of the Johannesburg Stock Exchange last November.

The 102-year old firm has the largest retail client base in the country and was until some months ago intent on developing its corporate financing activities into a fully-fledged corporate bank.

The merger with Société Générale signals a strategic about-turn for the firm. In February, it was granted permission by the South African Reserve Bank to begin trading as a bank. Despite approaches from Banque Nationale de Paris, it raised about R75m ($16.5m) in launch capital from clients and local institutions.

The deal will give the French bank immediate access to the South African equities market via an established firm.

It may also herald a shift in Frankel Pollack's activities towards higher risk business, notably derivatives, where the firm will be strengthened by a highly capitalised foreign parent. It is likely to focus more on international trade and emerging markets, in contrast to its traditional reliance on the retail sector.

Samsung in 'positive' talks over Fokker

By Gordon Cramb in Amsterdam

Samsung, the South Korean conglomerate, yesterday held what were described as positive talks with Dutch finance ministry officials and Fokker's receivers about a takeover of the failed aircraft maker.

Representatives of Samsung Aerospace presented a confidential business plan setting out its view of Fokker's future. They are thought likely to have specified conditions which The Hague would need to meet before they were willing to reach a deal.

Mr Ben Knüppe, one of the receivers, said Samsung "explained more details and gave more comfort to the trustees, and to the government, in respect of our position in the future. It is altogether now much easier."

The Dutch side has said it needs to resolve the issue this month, particularly to protect Fokker's relationship with suppliers.

It is understood the plan – described by the ministry as the first full outline of Samsung's intentions since the receivers last month granted it exclusive negotiating rights - may actually be a revised version of a document offered by the Seoul side some three weeks ago and found unacceptable.

Talks stalled at that point and, amid conflicting local reports, it appeared that Samsung might have been asking for a bigger equity and/or loan participation than the government was prepared to concede.

There are also fears that production of any new aircraft range by the company would take place in Korea, with the Dutch role reduced to design, engineering and some component supply.

Mr Knüppe appeared to concede that manufacture would take place in Asia, but said that Samsung, with no direct experience of aircraft assembly, would face a "tough learning process" and could not rapidly move away from the Netherlands.

Mercedes tries to resolve a paradox

Accounts mask the profits gap between car and truck units

Mercedes-Benz is a paradox among motor manufacturers. Its passenger cars command some of the highest margins in the industry, yet in commercial vehicles it is a byword for poor profitability.

What makes this surprising is that Mercedes-Benz is the world's biggest truck-maker. In Europe and South America its lead has slimmed, but in the US it makes more vehicles than its two closest rivals combined.

The company's accounts mask the gap in profitability between cars and trucks. Mercedes-Benz buries its commercial vehicle results in the figures for its much bigger cars division. It is widely believed that the trucks business is chronically unprofitable. Mr Jurgen Schrempp, chairman of Daimler-Benz, the parent company, admits: "With a few exceptions, we have never made a lot of money in trucks".

Mr Schrempp has promised greater transparency. From this year, results for commercial vehicles will be shown separately. However, Mr Helmut Werner, Mercedes-Benz's chairman, says it has not been decided how the figures will be presented. Analysts should not hold their breath.

The main cause of Mercedes-Benz's poor earnings is that it still builds most of its vehicles in high-cost Germany. Unlike Mercedes-Benz' passenger car division and other German carmakers, the domestic commercial vehicle side has been slow to crack the whip. Mr Werner admits the pace of reform has sometimes been dictated by introductions of new models, to which labour reforms have often been tied.

The link between new models and low costs is twofold. New vehicles are designed to be built more cheaply than predecessors, and the company has used the tacit threat of moving production abroad to secure union concessions. Last year's introduction of the Sprinter, Europe's "van of the year" according to leading specialist publications, prompted more flexible working practices at the Düsseldorf factory where it is made.

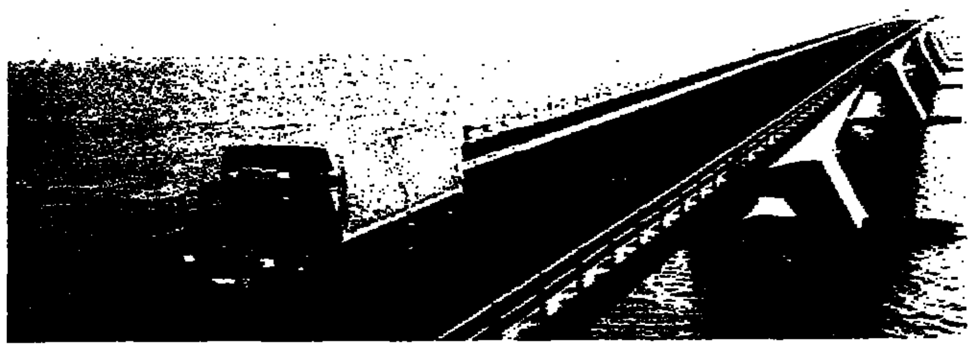
Mr Werner says greater labour flexibility and lower production costs of new models brought a "big turnround" in van profitability in the past 18 months. Although critics attribute the improvement more to the launch of the Vito – the Sprinter's smaller sister, made at a purpose-built plant in low-cost Spain – he maintains that "about 60 per cent" of the upturn is due to the Sprinter and changes in Düsseldorf.

Mr Werner says the same process is starting in buses and trucks. Buses are a smaller business for Mercedes-Benz, but its costs were bloated after the purchase of Setra in 1995. The company is running "a little bit ahead" of its target to bring the merged bus operation to profitability in 1998, Mr Werner says.

Truck* sales Western Europe forecast

All figures (000)	1992	1993	1994	1995	1996	1997	1998	1999	2000
Daf	22.3	13.1	15.2	20.5	22.9	21.6	21.1	22.3	23.8
Iveco	40.8	33.6	32.7	41.5	45.7	44.0	42.3	44.2	46.9
MAN	34.1	27.7	29.1	30.6	30.4	28.9	30.0	30.9	31.6
Mercedes-Benz	77.0	58.1	56.7	57.5	59.6	59.4	63.8	65.5	67.8
Renault VI	22.9	18.1	20.7	27.0	30.5	28.2	28.2	30.6	31.2
Scania	16.7	13.2	17.0	23.0	26.6	25.9	23.5	23.4	23.9
Volvo	22.3	16.9	24.2	29.6	31.7	30.0	29.6	30.6	31.6
Other European	7.8	8.0	8.3	10.5	10.6	9.7	9.3	9.9	11.0
Total European	243.9	186.7	203.9	240.2	258.0	247.7	247.8	257.4	267.8

* 6 tons GVW and over. Note: totals may not add due to rounding. Source: Industry Sources, EIU forecasts



He accepts there is still "a lot of room for improvement" in trucks. The company has just unveiled the Actros, its first new heavy truck in two decades. Mercedes-Benz hopes its innovative features, such as electronic brakes, will help the group regain the 30 per cent share of the European market for trucks of more than six tonnes lost some years ago. The Actros should cost DM500m ($338m) a year less to build than the previous SK range, Mr Werner reckons.

The introduction of the Actros has gone hand in hand with labour reforms. Workers at the Wörth plant where it is built have accepted a flexible 30-40 hour working week. Such changes should allow the Actros to be profitable even if sales drop by 25 per cent compared with the SK.

"We have made big progress [in labour] in the past 12 months," Mr Werner says. He hopes negotiations with unions at all the company's commercial vehicles and component plants in Germany will be completed by the end of this year, saving a further DM500m a year.

Mr Werner is confident such savings can ensure that Mercedes-Benz keeps most of its manufacturing in Germany, although costs are "40 per cent higher" than in other European locations. Savings on the Sprinter have already had a "very positive" effect on profits, he says.

Much will depend on the reception for the Actros and the willingness of employees to make concessions. Demand for the Actros has led Mr Werner to predict Mercedes-Benz's commercial vehicle sales this year "well in excess" of the 320,000 units registered in 1995. But the US and Brazilian heavy truck markets have collapsed this year and labour costs in Germany have only just come under control. Earnings may get worse before they get better.

Haig Simonian

Ministries deny plan on Eramet assets

By Kenneth Gooding, Mining Correspondent

The French finance and industry ministries yesterday insisted that they had no intention of forcing Eramet, the partly privatised nickel and special steels group, to sell some of its mineral assets for political reasons.

They took the unusual step of issuing a statement against a background of growing concern among some UK and US institutional investors and a steep fall in Eramet's share price this week.

Shareholders were worried that the company, still 55 per cent owned by the French government via Erap, the state holding company, would have to give up a substantial mineral deposit in New Caledonia and that minority shareholders would be powerless to prevent the government forcing through management changes to achieve this objective.

It was suggested that Mr Yves Rambaud, Eramet chairman, said to be opposed to the sale, might be removed.

The ministries' statement yesterday said the government planned to hold talks about the future use of New Caledonia's mining resources which it hoped would enable New Caledonia to get full value from its natural resources and "guarantee the long term access to mining resources of current and future players".

Mr Emil Morfett, analyst at Paribas Capital Markets, said: "We are relieved that Mr Rambaud will remain chairman. We are relieved that there will be no asset sales for the moment and that these will be subject to a thorough review.

"We anticipate that economic sense will prevail and the asset will stay in the company unless a very attractive sales price can be achieved.

"Nevertheless, there are still some uncertainties about the intentions of the French government."

EUROPE/AFRICA NEWS DIGEST

Arbed slips into first-half deficit

Arbed, the Luxembourg steel group, reported a first-half net loss of LFr249m ($7.9m) after a 1995 first-half net prof of LFr2.4bn, owing to the downturn in the European stee industry. Turnover fell from LFr135.5bn to LFr117.3bn.

The group said the decline in its main markets in the second half of last year had worsened in the first six months of 1996, but appeared to have bottomed out in th third quarter. Stronger results were forecast for coming quarters. A restructuring of the group's long-products division had led to a charge of LFr1.6bn, although this had been covered by existing restructuring provisions.

Neil Buckley, Bruss

Vendex to sell KBB stake

Vendex, the Dutch retail and business services group, is to sell its 36 per cent stake in KBB, owner of the country Bijenkorf and Hema store chains, to an international placing which could raise Fl 620m ($362m).

Vendex said proceeds were likely to be used for international expansion. It added it was selling the stake because it had "become clear that there are insufficient possibilities of a strategic alliance with KBB in the foreseeable future." Vendex owns the Vroom & Dreesmann department stores, which compete directly with the Bijenkorf. KBB operates 248 department stores, 1,055 specialty shops and owns FAO Schwarz, the US toy chain.It posted net profits in the first half to July of Fl 2.5m, compared with Fl 12.7m a year earlier.

The offering will be marketed internationally by a syndicate led by Morgan Stanley, the US investment bank. It is due to be completed within two weeks.

Gordon Cramb, Amsterdam

SAB launches $360m offering

South African Breweries has launched an international share offering of $360m, one of the largest equity issues t international investors by a private company in an emerging market. It is SAB's first international issue.

The company said the issue had been increased from $300m, after international demand had exceeded $600m. The cash will fund SAB's expansion in beer and consume goods markets in Central Europe, China and Africa. SAB will issue shares and American Depository Receipts for 14,250,000 new ordinary shares of 20 South African cents each. The issue is priced at $25.43 per share (R115), a discount of about 4 per cent to the Johannesburg trading price. The shares will be listed in Johannesburg and London on October 10.

Mark Ashurst, Johannesbur

Four join interbank network

Swift, the worldwide interbank communications system, yesterday announced a new bridge to securities dealers and fund managers when four providers of electronic trade confirmation (ETC) services for the securities market agreed to connect to the Swift network.

The new Swift participants include the Depository Trust Co, the New York securities settlement group which is the world's largest electronic trade confirmation system. Other new signatories include Bloomberg, the financial data group, CrossMar, a subsidiary of the Citicorp banking group, and Financial Models Company, Canadian computer services provider.

ETC services allow investors to match their securities trading orders with each other and send instructions for settlement to clearing houses or agents.

George Graham, Floren

Creditanstalt sells fund stake

Austria-based Creditanstalt Investment Bank (CAIB) said it had sold most of its 30 per cent stake in the Slovak Creditanstalt Investment Fund to J&T Securities for Ks258m ($10.7m) through the Bratislava Stock Exchange on Monday. Mr Martin Cabadaj, director of CAIB's subsidiary Creditanstalt Securities, said the stake was about 25 per cent of the fund, out of CAIB's entire holding of "up to 30 per cent".

Reuter, Bratislav

Bouygues posts interim loss

French construction company Bouygues posted a net loss of FFr146m ($28.2m) in the six months to June compared with a profit of FFr97m a year earlier. It forecast full-year profit rising mainly on asset sales to 1994 levels. In 1994 Bouygues made a profit of about FFr600m.

AFX, Paris

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com.

Daewoo to expand if Thomson bid fails

By Alice Rawsthorn

Daewoo, the Korean industrial group, plans to open 10 consumer electronics factories in Europe over the next five years if it fails in its bid to take control of Thomson Multimedia, the French consumer electronics company.

Mr J.B. Chun, chief executive of Daewoo Electronics Europe, said the group would prefer to acquire Thomson Multimedia (TMM), currently being auctioned by the French government as part of the privatisation of the entire Thomson defence electronics group. But he stressed that, even if the TMM bid fails, Daewoo would press ahead with its plans to expand in European consumer electronics.

Daewoo Electronics Europe has joined forces with the Lagardère conglomerate in the Thomson privatisation. Under the terms of their agreement Daewoo would immediately take full control of TMM if the Lagardère bid succeeds, leaving Lagardère with the larger Thomson-CSF defence electronics business.

Daewoo has promised the French government it would protect the jobs of TMM's 5,000 employees in France and create another 5,000 new jobs. Mr Chun said it aimed to fulfil that pledge by using new and existing French plants to manufacture some of its Daewoo branded products and own-label goods.

It also plans to diversify, notably by making some of the television components that Daewoo and TMM currently buy from other companies. Daewoo would then start selling those components to other sectors, such as personal computer makers.

Mr Chun said Daewoo would adopt a similar strategy in North America, where TMM has a substantial share of the television and VCR market.

The French company has a history of losses and management changes, but Mr Chun said its brands could be revitalised and its finances transformed with "better utilisation of overheads".

The Lagardère faction faces fierce competition from Alcatel Alsthom, the French telecommunications and power group, in the Thomson privatisation, which is expected to end next week when the French government announces the winner.

Alcatel has said it would seek an "Asian partner" for TMM if it wins. Mr Chun declined to be drawn on whether Daewoo would agree terms with Alcatel if it, rather than Lagardère won.

However, he was emphati that Daewoo would continu to strengthen its presence i European electronics eve without TMM. Daewoo an other South Korean con sumer electronics compa nies, LG and Samsung, hav expanded aggressively in th global market during th 1990s at the expense of th Japanese and Europeans.

Mr Chun said that, if Dae woo was to develop those markets, it needed to localise production to provide the high standard of delivery and service that No American and European retailers required.

Markets puzzled over Gemina split

By Robert Graham in Rome

The split of Gemina, the Italian investment company, continues to puzzle the Milan bourse, with no full explanation yet given by the main shareholders, which include Fiat, the automotive group, and Mediobanca, the Milan merchant bank.

Shares in Gemina have fallen nearly 4 per cent since trading resumed on Monday following Friday's suspension and the weekend announcement of the split into two groups. The valuable industrial portfolio, combined with the best financial investments, has been shifted into Holding di Partecipazioni Industriali with capital of L1,343bn ($885m), reserves of L781bn and cash of L964bn. The remainder, accounting for a ninth of the original company, has been left under the name Gemina, mainly containing financial services.

Analysts say there is no real synergy between the various holdings in HPI. These include sportswear unit Fila and other textile interests, alongside a stake in Pirelli and ownership of media interests in RCS.

The structure of the split ensures that all liabilities from Gemina's troubled recent past remain with "new Gemina". This means HPI is shielded from any impact from Gemina Capital Markets, a finance subsidiary, whose potential losses from Swiss-based operations are still being assessed.

Vebacom revises strategy for digital pay-television

By Frederick Stüdemann in Berlin

Vebacom, the telecoms unit of Veba, the German industrial group, confirmed yesterday it had changed its plans for digital pay-TV, making it the latest company to revise its strategy for digital television.

The company has decided not to proceed with Primus, a digital pay-TV concern which was to have been set up with Metro, the retailing group. Primus would have sold television set-top decoders and handled billing and customer support.

Vebacom said its decision was the result of recent developments in the sector, including Deutsche Telekom's withdrawal last month from the MMBG pay-TV consortium, a rival to Primus. Telekom is now concentrating on developing its cable network as the main carrier for digital pay-TV in Germany.

Vebacom said that although Primus had not got off the ground, it was not giving up its ambitions in pay-TV altogether. "We see this move as a pause for thought," the company said.

The group also said it had not yet decided what to do with a pilot project for digital television in Berlin.

But in an indication of what form its future pay-TV strategy might take, Vebacom said it was still in talks with Deutsche Telekom about providing a distribution platform for digital television through the existing cable network.

Vebacom is the largest of the private-sector cable companies which typically cover the "last mile" of delivery to Germany's 16m cable households. Vebacom serves 1.3m cable households.

Since withdrawing from MMBG, Telekom has made clear that it believes the cable network, which is in the process of being digitalised and by next year will be capable of carrying 150 television channels, is the key to the development of pay-TV.

Earlier this week Telekom confirmed that it was in discussions with Kirch over distribution of the media group's DF-1 digital channel currently distributed by satellite, on the cable network.

EDNESDAY OCTOB

FRICA NEWS DIGES

d slips int
half defici

to sell KBB stak

unches $360m of

in interbank ne

anstalt sells fu

son bid f

vises strat
ay-televisi

Adidas signs World Cup sponsorship deal

By Wolfgang Münchau in Frankfurt

Adidas, the German sportswear group, has signed a combined sponsorship and licensing agreement for the 1998 football World Cup in France.

This is the first time a sporting goods group has been given such extensive rights in the competition, one of the world's most-watched sports events.

The announcement lifted Adidas shares, which ended DM1.40 higher at DM143.40. The shares came to the stock market in an initial public offering last year.

The agreement underlines Adidas' marketing-driven strategy under Mr Robert Louis-Dreyfus, chairman. Mr Dreyfus said the agreement demonstrated the company's commitment to be "the choice soccer brand on every level of the game, from the street match to the World Cup final".

Adidas did not disclose financial details of the agreement, but said that World Cup sponsorship was cheaper than the average $40m it costs to become a sponsor of the Olympic games. It plans to start offering World Cup-related products in France by Christmas this year, mainly sports shirts and apparel with the official World Cup emblem.

Adidas will also provide outfits for 12,000 officials and helpers, and five teams – Argentina, France, Germany, Ghana and Spain. Under a previous agreement, Adidas had already secured a deal to supply referees' outfits and the football.

Mr Ingbert Faust, analyst at UBS, said the deal bore some resemblances to a similar agreement with Bayern Munich, one of Germany's top football teams. He said: "We like this kind of deal, but [they] are notoriously difficult to evaluate. They do tend to boost turnover quite a lot."

The sponsorship agreement with Bayern Munich has resulted in sales of more than 1m Bayern football shirts.

The company said this type of deal was part of a new trend towards combined sponsorship and licensing in European sport. "We no longer just spend money on sponsorship and hope to benefit from the advertising effect; this gives us the opportunity to claw back the expenditures," the company said yesterday.

Adidas already sponsors the football teams Olympique de Marseille, FC Anderlecht, Newcastle United and Glasgow Rangers, and the players Paul Gascoigne of England and Matthias Sammer of Germany.

Paul Gascoigne is one of Adidas' sponsored players

Wal-Mart plans further expansion

By Richard Tomkins in New York

Wal-Mart Stores, the biggest US retailer, yesterday announced plans to continue its rapid expansion in the fiscal year beginning next February with about 185 store openings in the US and internationally.

At home, Wal-Mart said it would open about 50 new discount stores and 100 new Supercenters, which combine a discount store with a food store. About 70 Supercenters would be relocations or expansions of existing discount stores, it said.

Outside the US, Wal-Mart plans to develop 30 to 35 new discount stores, Supercenters and Sam's Club membership warehouses in Argentina, Brazil, Canada, China, Indonesia, Mexico and Puerto Rico.

The plans represent an increase of about 6 per cent in Wal-Mart's store base. At the end of September, it had 1,946 discount stores, 324 Supercenters and 436 Sam's Clubs in the US. Internationally, it had four stores in Argentina, five in Brazil, 135 in Canada, two in China, one in Indonesia, 138 in Mexico and 11 in Puerto Rico.

The operations in Brazil, China, Indonesia and Mexico are carried out through joint ventures or franchises.

Wal-Mart's expansion has been a big contributor to the recent poor performance of US retailing, because it has added so much capacity to an already saturated market. Next year's plans alone will add 20m sq ft to domestic retail space.

The size and wide product range of Wal-Mart's stores means they compete with most other kinds of retailing operations, including clothing, toy and department stores.

Recently, however, Wal-Mart itself has had difficulty in maintaining the profit growth of earlier years. In last year's fourth quarter it suffered its first profit downturn in 25 years as a public company, because of tough competition and weak consumer demand.

Intl Paper forecast cheers the market

By John Authers in New York

International Paper, the largest paper and wood pulp manufacturer in the US, yesterday reported third-quarter net profit of $111m, a 12 per cent increase on the second quarter, and forecast improving demand after a difficult year for the sector.

Earnings a share were 37 cents against 33 cents in the previous quarter.

Mr John Dillon, chief executive, made a bullish forecast on earnings and demand, which cheered the market. He said: "Demand continues to improve. Instead of working off excess inventory, customers are ordering based on current business requirements. We anticipate earnings will increase, based upon pricing improvements."

He added that the company had acted to expand capacity and reduce costs, and that additional price increases for pulp and uncoated paper grades had been announced for the fourth quarter. International Paper, which opened a corrugated packaging plant in the UK earlier this year, also increased container board prices from the beginning of this month.

Turnover, at $5.1bn, was identical to the third quarter of last year, when profits reached a record $328m. Sharp falls in pulp and paper prices, exacerbated by a price war, were behind the drop in profits.

Analysts had been looking for evidence that prices were stabilising, and reacted positively to the results.

Champion International, another paper company, also published results in line with expectations, with profits of $32m for the third quarter, down heavily from the $236m posted in the equivalent quarter of 1995, but well ahead of the $16m recorded for the second quarter of this year.

Operating profits before tax for its paper division were $58.3m, far below the $418m recorded in the equivalent quarter of last year, but wood products logged an improvement in profits from $34.1m to $41.8m.

Mexican paper group set to tear ahead

Despite a first-quarter slip, KCM is well-placed to expand, writes **Daniel Dombey**

In a year when shares in domestic sector businesses have so far outstripped the Mexican stock market by 40 per cent, Kimberly-Clark de México stock has achieved a mere 9 per cent, after outperforming the market last year by 70 per cent.

Though the paper products group avoided the worst effects of the economic crisis until the second half of 1995, KCM's sales have recently fallen more than those of other domestic-oriented groups.

In the first quarter of 1996, the last period before recent acquisitions were included, KCM's sales were down 13 per cent year-on-year to 1.6bn pesos ($213m), while operating profits were unchanged at 466m pesos.

"Kimberly's success in 1995 came from having a *broad price range, from* economy to premium, and flexible manufacturing techniques, [allowing them to] move between economy and premium products while retaining healthy margins," says Mr Scott Wilkins, an analyst at Deutsche Morgan Grenfell in Mexico City.

Mr Claudio González, KCM chief executive, says demand will grow significantly next year, as employment levels keep rising and real wages edge up, helped by higher industrial investment and more activity in the construction sector. According to government statistics, consumption in Mexico rose 2.9 per cent for the second quarter when compared with a year before, and in May retail sales moved upwards for the first time in a year.

Recent acquisitions should leave the company well placed to take advantage of a projected upswing in the economy.

After Kimberly-Clark, the US group which has a 43 per cent stake in KCM, bought its rival Scott Paper, Mr González exercised a $1.4bn option to buy Crisoba, the local subsidiary of Scott Paper. That widened KCM's product range further, to include products such as baby wipes, Petalo, a leading brand of lavatory paper, and the Couche brand of notebooks.

"We had never grown other than through internal efforts. We had never bought anything," Mr González says. "Now, we have a stronger brand line and greater market share."

The merger with Crisoba will increase KCM sales by 20-25 per cent in 1996 to more than $1.1bn, according to Mr Jorge Beristain, of Caspian Securities in Mexico City. "The net effect will be to increase KCM's market share in tissue and paper, *which account for* 75 per cent of its revenues, by 12 and 17 per cent respectively."


Claudio González: "Now we have a stronger brand line and greater market share" Brendan Corr

The company's overall market share of paper products sold in Mexico should increase from 41 per cent to 54 per cent, he says.

KCM's increased market presence comes in spite of a divestiture of brand names and a tissue manufacturing plant, ordered by the Mexican Federal Competition Commission, which is expected to net the company between $300m and $400m. The money will be divided between eradicating the company's short-term debt, maintaining capital expenditure at about $150m a year, and repurchasing shares.

KCM's debt stands at only 8 per cent of equity, while it is a quarter of the way through a programme to repurchase 20m of its shares.

Mr González says that *several asset sales will be* concluded before the end of 1996.

However, he adds that resurgence in the domestic market might lead the company to wait until the end of the government-imposed deadline in March 1996 before disposing of Scott's tissue business, so as to maximise the price paid.

The company is also increasing its sales abroad, particularly in other South American countries.

"We think we can double our current level of $80m to $90m of exports," Mr González says.

However, the advantages of the Crisoba acquisition for KCM could eventually be tempered by rising pulp prices and the entrance of *more competitors into a mar*ket where margins are still routinely twice as high as in the US.

Markets leave Motorola alone with its troubles

Investors in high technology stocks are showing a welcome new sophistication. Normally, when Motorola *issues profits warnings* or *poor figures*, shares in Nokia and Ericsson, the Scandinavian telecoms groups, collapse in sympathy.

But since Motorola, the US electronics group, issued a profits warning in September, the Scandinavian stocks have decoupled from those of its US counterpart.

This week Motorola confirmed its gloomy predictions. It announced earnings for the quarter of $206m, or 34 cents a share, compared with $496m, or 81 cents, in the same quarter a year ago. Analysts had on average expected the company to report earnings of 35 cents a share for the quarter.

Mr Christopher Galvin, president and chief operating officer, explained: "Because of the continuing weakness in some of our businesses, primarily the semiconductor products sector, the company is expanding cost-cutting actions already under way, including manufacturing and work force adjustments.

"Specific actions are expected *to be finalised dur*ing the fourth quarter and will have an adverse effect on fourth-quarter earnings."

Motorola attributed the decline to a "recession" in the semiconductor business. It expected a 10 per cent decline in the industry's global revenues in 1996. While there would be a modest recovery in *1997, overall* growth would remain below 10 per cent. It also blamed competitive pressures in the cellular phone, paging and modem business.

However, investors are increasingly recognising that Motorola's results are influenced by a number of factors specific to the US company and are not reflected across the industry.

For example, Intel, the world's largest semiconductor manufacturer, will report its third-quarter results on Monday and is expected to show strong growth. While Intel refused to discuss the results, analysts said there was no reason to suppose there had been any change since it issued a statement a month ago indicating revenues at least 5 per cent up on the second quarter. Strong sales of its flagship personal computer chip, the Pentium Pro, are expected.

Motorola's problems are rooted in its dependence on the growth of two industry segments in the US, the Apple personal computer *and the mobile phone. The* Apple PC uses Motorola's Power PC chip. However, questions are being asked about Apple, which is in the throes of reorganisation after the appointment of a new chief executive and chief operating officer.

Motorola is the world's principal producer of electronics for mobile phones. Growth of the US market, however, has slowed dramatically because of technological change. The older analogue market is now largely saturated but the new digital market has yet to take off. Meanwhile there is intense price competition in the analogue market.

In Europe, however, the picture is quite different. Nokia said that although there had been slower market growth, it expected the European sector this year to be 50 per cent greater than in 1995. In Europe, 80 per cent of new phone sales were digital. The Asian picture is similar to Europe's.

Actions taken by Motorola to improve profitability include a reduction in pilot production at its Phoenix start-up facility and a wafer production line in East Kilbride, Scotland.

The company is continuing development of the Iridium global telecommunications network, in which Motorola is lead partner. The project is on schedule after *completion of a $750m* short-term credit facility enabling Iridium to continue to make contractual payments to Motorola.

Alan Cane

AMERICAS NEWS DIGEST

Moody's upgrades Merrill Lynch

Merrill Lynch's senior debt rating has been raised by Moody's from A1 to AA3, reflecting the investment banking and brokerage firm's "unique franchise that encompasses both institutional and retail financial services" and "the strength and integration of business units within these two broad groups", the credit rating agency said. The change restores Merrill to the level it enjoyed before April 1987 – a higher grade than any other US securities firm, according to Merrill.

The move also reflected the strength and lack of volatility of the company's earnings in recent years, Moody's said. However, it noted that the global operating environment was highly competitive. Although the rating has only been lifted one notch, the shift from the single-A to double-A band is important, since some institutional clients are only allowed to deal with AA-rated and AAA-rated counterparties. Merrill was among the first firms to set up a separately capitalised and rated derivatives unit, because its derivatives business was suffering from its relatively low rating.

Mr Dan Tully, Merrill chairman, said the change reflected the company's "diversified revenue base and consistent profitability, our market leadership across all of our lines of business and our prospects for continued strong growth." Merrill is rated A-plus with positive outlook by Standard and Poor's, another leading rating agency.

Tracy Corrigan, New York

Allstate to take $262m charge

Allstate, the largest domestic property and motor insurer in the US, yesterday announced it would take an after-tax charge of $262m, or 58 cents a share, in its third quarter accounts, chiefly to cover environmental and asbestos liabilities. This represents more than half the consensus analysts' forecast of 92 cents for earnings per share for the third quarter, but the company's shares fared well in early trading, gaining $\$1\frac{1}{8}$ to $\$51\frac{3}{4}$.

Mr Jerry Choate, Allstate chief executive, said the action was strengthen its reserves after repositioning to focus on core businesses of motor, home and life insurance.

Mr Choate said: "In the past year, Allstate has sold those operations that do not fit with our strategic direction, and set in motion programmes to reduce our catastrophe exposure in California and Florida." The charges cover insurance lines now discontinued, including excess and surplus insurance, reinsurance and mortgage pool business.

John Authers, New York

Abbott Laboratories up 12.5%

Abbott Laboratories reported a rise in third-quarter earnings per share to 54 cents, up 12.5 per cent from 48 cents a year ago, in spite of the unfavourable impact on sales of a stronger US dollar. The results were in line with expectations and the share price edged up $\$\frac{3}{8}$ to $\$50\frac{7}{8}$ in early trading. Worldwide sales climbed 10.7 per cent to $2.6bn, while net earnings rose 10.2 per cent to $421m. Research and development spending came in at $279m for the third quarter, up 9 per cent from the same quarter in the previous year.

"Abbott's worldwide pharmaceutical business, along with our entrance into the glucose monitoring and diagnostic imaging markets, drove the company's strong performance," said Mr Duane Burnham, chairman and chief executive officer. Abbott began marketing Magnevist and Ultravist, two contrast imaging agents used in radiology procedures. The US market for contrast imaging agents is estimated at more than $1.5bn.

Mr Burnham added that the company's strategy of growing through internal product development and market expansion, complemented by external alliances and acquisitions, was working.

In the third quarter, Abbott completed its acquisition of the outstanding shares of MediSense, the biosensor technology leader in the $1.6bn blood glucose self-testing market, which has now been merged with an Abbott subsidiary.

Tracy Corrigan

PepsiCo 'near Venezuela deal'

PepsiCo is to sign a bottling and distribution deal before the end of the month with the Venezuelan brewing group Polar, according to press reports. Details were still being worked out, the paper reported company sources as saying, but PepsiCo's final stake will be in the order of 30 per cent. Neither PepsiCo nor Polar were immediately available for comment. PepsiCo's Venezuelan operations took a severe blow in August when the former PepsiCo bottler, Grupo Cisneros Embotelladoras de Venezuela, defected to Coca-Cola. PepsiCo, which is suing Coca-Cola over the matter, had denied earlier rumours of a possible alliance with Polar.

Reuter, Caracas

McDonald's moves Greenberg

McDonald's, the fast food chain, has appointed Mr Jack Greenberg, vice-chairman and chief financial officer, to the new position of chairman of McDonald's USA. Mr Greenberg will relinquish the chief financial officer post, but remains vice-chairman of the company.

Reuter, Illinois

COMPANIES AND FINANCE: ASIA-PACIFIC

ASIA-PACIFIC NEWS DIGEST

CBA warns of flat profits

Mr Tim Besley, chairman of Commonwealth Bank of Australia, the privatised commercial bank, yesterday warned that the profit outlook for the current financial year remained flat. "We are now three months into the financial year and nothing has changed to prompt the bank to revise its assessment," he said at the bank's annual meeting in Melbourne.

He said 1996-97 was "shaping up to be every bit as challenging as directors envisaged". In the past financial year CBA, one of Australia's four big banks, made a net profit of A$1.12bn (US$829m), up 14 per cent.

However, Mr Besley said the bank was not expecting a lower result, and that earnings per share should improve as a result of the recent buy-back of 100m shares from the federal government, stock which was then cancelled. "There's no suggestion that I'm saying profit will fall off this year," he said after the meeting. CBA shares closed 11 cents lower at A$11.90.

Nikki Tait, Sydney

National Mutual shares listed

The "demutualisation" of National Mutual, Australia's second-largest life insurer, was completed yesterday when shares in the company were listed on the Australian stock market at A$1.75, a comfortable premium to the A$1.60 institutional offer price set on Sunday. The shares closed at A$1.80, valuing the company at more than A$3bn (US$2.4bn).

France's Axa group is the largest shareholder, having injected A$1.1bn into the Australian group in early 1995 in return for an eventual 51 per cent interest. Yesterday's closing price means Axa's stake, held partly by Axa itself and partly by Axa Equity & Law, is now worth just more than A$1.5bn.

According to the list of National Mutual's leading shareholders, published yesterday, the second-biggest investor in the company is the AMP Society, Australia's largest life assurance office, which is also considering demutualisation. It holds a 1.1 per cent stake. National Mutual has also acquired more than 500,000 non-institutional shareholders, giving it the biggest register of any Australian company.

Nikki Tait

Vietnam bank bids approved

Vietnam's Asia Commercial Bank (ACB), based in Ho Chi Minh City, has approved bids from six foreign institutions for the placement of 30 per cent of a new share issue. The decision is a further step towards extending ownership of business beyond the state, in a country with no stock market and where foreign stakes in local companies have, with a few exceptions, been forbidden.

The ACB issue is only the third offering of stock to foreign investors from a Vietnamese company. Only three of the six foreign institutions would be allowed to buy shares after valuation by the central bank in December, according to Mr Phan Sum, head of research and development at ACB.

Among the six candidates are understood to be fund management groups Finansa of Thailand, in which Dutch bank ABN Amro has an interest; the Hong Kong-based Vietnam Fund, and a unit of Hong Kong trading conglomerate Jardine Matheson. Each would be allotted a portion of the 90,000 shares available to foreigners, valued at 2.1m dong each.

The offer to foreigners represents just under a third of an issue of 280,000 shares, with which ACB hopes to double its capital base of 70bn dong ($6.3m). "The State (central) Bank intends to strengthen the funding capability of local banks. The second reason is to attract banking technology from foreign shareholders," said Mr Sum.

He said ACB intends to be among the first Vietnamese companies listed on a Vietnamese stock exchange. Analysts say this is unlikely to emerge for at least three years, because of delays in establishing a regulatory framework and a lack of suitable candidates to list.

Jeremy Grant, Hanoi

Indosat cuts interim dividend

ndosat, the listed Indonesian satellite elecommunications company, will pay a 1996 interim lividend of Rp68 a share, down from Rp69.18 in 1995. In akarta, shares in Indosat closed Rp25 lower at Rp7,575 in ight trading.

Indosat's net income rose only 6.4 per cent in the first ix months of this year. Analysts blamed the weak growth n a slowdown in the expansion of revenues from nternational calls.

In the same period of 1995, Indosat, which is tate-controlled, saw net income increase 73 per cent. Iuch of last year's growth came from interest income. As ndosat has raised capital expenditure, interest income as declined.

Manuela Saragosa, Jakarta

3ayer to build ABS stake

ayer, the German chemicals group, has launched a bid acquire a majority stake in the Indian plastics maker BS Industries.

In a rare deal for India, Bayer's 100 per cent-owned ibsidiary Bayer Industries has agreed to buy 5.58m iares in ABS at Rs70 each. The Rs390m ($10.9m) deal will ve the Bayer subsidiary a 31 per cent stake in ABS. In ldition, Bayer Industries has made an offer to acquire a rther 20 per cent of ABS at Rs70 a share through a iblic offer to shareholders.

The deals are contingent on regulatory and government provals. Shares in ABS, a market leader in the oduction of acrylontrile butadine, closed Rs1 higher at 379 on the Bombay Stock Exchange.

Tony Tassell, Bombay

JR West disappoints on debut

By Gwen Robinson in Tokyo

The president of JR West, the railway company which made its debut on Japan's main exchanges yesterday, has cast doubt over the country's remaining rail privatisations. He said yesterday: "It will be difficult to evaluate their shares and sell them."

Mr Masataka Ide was speaking after the second railway company listing since the Japanese National Railways group was broken up in 1987. The offering raised about Y487bn ($4.4bn), compared with earlier expectations of Y680bn.

The stock opened at Y360,000 and ended the day at Y367,000 – just 2.8 per cent above its initial public offering price of Y357,000.

Securities analysts said the performance was disappointing, but they noted factors such as the recent decline in trading volume on the Tokyo Stock Exchange, which on Monday fell to 199m shares, its lowest level in a year.

JR West was the most closely watched listing since the ill-fated privatisation of Japan Tobacco in October 1994. It is regarded as a bellwether to see if the market can attract individual investors and inspire confidence in forthcoming privatisations.

The transport ministry last night acknowledged that in light of JR West's weaker-than-expected performance, it was "considering measures" to cope with possible poor demand from investors for the planned listing of Central Japan Railway (JR Tokai) some time before March 31 1997.

Ahead of JR West's listing, JNR Settlement, the government body responsible for disposing of the assets and liabilities of the JNR group, and the sole shareholder in JR West, released 1.7m of the 2m shares. JNR Settlements' debt load stood at Y27,600bn on April 1.

In August, 750,000 shares were auctioned to institutional and large investors, and 950,000 shares were later offered to individuals for Y357,000.

In spite of early indications of enthusiasm, 335,000 of the total remained unsold.

The government has said it will sell all shares it holds in JR West, JR Tokai and JR East by the end of 1998, to clear up the long-term debt left with JNR. The transport ministry said it was now considering lowering the percentage rations for share allotments to public subscription and tender for the listing of JR Tokai.

Analysts are upbeat about JR West's prospects. In the year to March, it posted a 172 per cent gain in pre-tax profit, to Y55.6bn, on revenue of Y936bn. Mr Ide yesterday revised upwards the company's half-year and full-year earnings forecasts.

Kawasaki Heavy in five-year plan

By Michiyo Nakamoto in Tokyo

Kawasaki Heavy Industries is looking at least to double recurring profits by 2001, from Y27bn ($242.7m) in the year to March 1996 to Y60bn. In a five-year plan unveiled yesterday, the aerospace, engineering and shipbuilding company said it aimed to increase non-consolidated sales by 26 per cent, from Y948.9bn last year to Y1,200bn in the year to March 2001.

It was looking to lift group sales from Y1,086bn to Y1,500bn, while pre-tax profits would increase from Y31.2bn to Y70bn, Kawasaki Heavy said.

The company said it would reach its targets by focusing on growth areas such as environmental and recycling businesses; by increasing efficiency through greater overseas production and procurement; and by lifting its ratio of capital to liabilities to ensure low-cost funding from international financial markets. It also plans to cut its workforce by about 1,000 to 15,000 by 2001.

The business plan reflects an improving environment for Japan's shipbuilders because of the weaker yen. The currency's weakness has made it easier for Japanese shipbuilders to win overseas orders.

Kawasaki is expected to report better-than-forecast earnings in the current year as a result of the yen's decline, from an average of about Y102 to the dollar last year to about Y108 now.

Go-ahead for merger of BPI and CityTrust

By Edward Luce in Manila

The Bank of the Philippine Islands (BPI), the country's third largest, yesterday received the green light to merge with CityTrust Banking Corp, the seventh largest. The tie-up is the domestic banking sector's first big consolidation since it was opened to foreign competition last year.

The move, which increases BPI's total assets to 190bn pesos ($7.2bn) from 156bn pesos, is expected to strengthen its position as the leading bank in the country's fast-growing consumer financing sector.

The merger with CityTrust, which was partly owned by Citibank of the US, will give BPI more than 50 per cent of the car loan and housing mortgage sectors, said analysts. CityTrust's shares were delisted on Monday.

"This is a good merger from BPI's point of view because CityTrust is one of the most efficient Philippine banks," said Mr Chris Hunt, chief researcher at W. I. Carr in Manila.

The merger will expand BPI's branch network to 420 from around 300 and increase the number of its automated teller machines to 560. The expansion, which will enable BPI to lift its capital base to meet new competition, is expected to be followed by a 5bn peso secondary share offering later this year.

BPI lifted net profits 71 per cent to 1.55bn pesos in the first half of 1996.

The shares slipped yesterday, to 123 pesos from 126 pesos.

Philippines banking

Top 5 banks by total assets	Pesos bn
Metrobank	[illegible]
Philippine National Bank	214
BPI (after merger)	[illegible]
BPI (before merger)	[illegible]
Philippine Commercial International Bank	116
Far East Bank	[illegible]

Source: W. I. Carr, Manila

LucasVarity to seek £130m of savings

By Tim Burt

LucasVarity, the Anglo-US automotive and aerospace components group created by the recent merger of Lucas Industries and Varity Corporation, is looking for initial savings of at least £130m ($202.8m).

The enlarged company, which yesterday reported sharply improved annual profits from Lucas Industries, predicted operating savings of £65m a year, and a similar amount from tax savings once the two had been fully integrated.

Mr John Grant, finance director, suggested most benefits would come from combining the companies' braking operations, with European production of anti-lock brakes being focused on Varity's ABS plant in the Netherlands.

He said that move would involve only modest rationalisation, but added: "There are lots of areas where we are only scratching the surface. There is great scope for reducing costs."

Mr Grant was speaking after Lucas reported pre-tax profits up from £30.4m to £180.1m, on increased sales of £2.99bn, compared with £2.8bn, in the year to July.

The figures, flattered by £95m of restructuring charges in the previous year, reflected increased demand, particularly in the automotive after-market and electrical and electronic divisions, while profits more than doubled at Lucas Aerospace.

That contrasted with relatively flat second-quarter figures from Varity, also released yesterday, where operating income rose from $51m to $52m on sales up to $603m from $572m.

John Grant: looking for cuts

Forecasts for ICI revised

By Jenny Luesby

Analysts are scaling down their forecasts for profits at Imperial Chemical Industries, ahead of its third quarter results, scheduled for October 24.

The company has already suffered successive profit downgrades this year as prices have collapsed in its biggest businesses.

Analysts are now moving full-year forecasts towards £600m ($936m) from £1bn at the beginning of the year, and £700m following its second quarter results.

ICI last year made pre-tax profits of £951m. The biggest decline since then has been in the polyester and titanium dioxide divisions.

In polyester, ICI makes the raw material and the final plastic for mineral water bottles. Titanium dioxide colours paints.

Merrill Lynch cuts jobs in equity trading

By Nicholas Denton

Merrill Lynch, the leading equity trader in the UK, is to cut 14 of its 64 market-making staff ahead of the introduction next year of order-driven trading in the top 100 shares in the London market.

Merrill's announcement yesterday, coming after similar moves by NatWest Markets and SBC Warburg, increases the pressure on other investment banks to take action.

UBS revealed it was reducing staffing through natural wastage. About a dozen are expected to go by next summer.

More than 25 per cent of all London marketmaking jobs are expected to disappear because the increasing proportion of low-margin "programme trading" has depressed revenues and technological developments have allowed efficency gains.

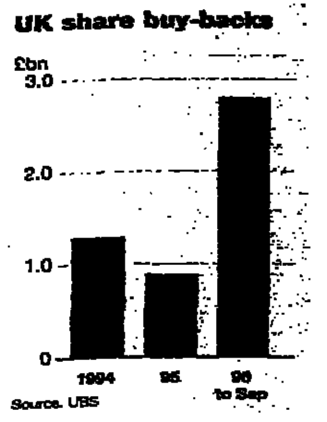
The order-driven trading system will allow computer matching of buy and sell orders and reduce the need for time-consuming telephone conversations.

Merrill said it would anticipate the reforms by trading the FTSE-100 stocks as a distinct group. Smith New Court, the UK market-making firm Merrill acquired last year, allocated stocks by sector.

Mr David Marks and Mr Geoff Lewis, head of UK and European marketmaking respectively, are retiring. About four UK equity trading staff will be relocated to other departments.

LEX COMMENT

Buy-backs



The market has over-reacted to the government's decision to close a tax loophole relating to share buy-backs and special dividends. The rule change will harm tax-exempt shareholders, but the impact is marginal. It does not justify yesterday's 2 per cent-plus falls in the shares of many utilities and Reuters. The rules will not change the tax treatment of most special dividends. So there will still be a tax-efficient way for companies to return cash to investors. What companies will probably not be able to do is devise schemes allowing tax-exempt shareholders to gobble up nearly all the tax credits attached to such recycling of capital.

What does this mean for Reuters? It had planned £613m of innovative "special dividend shares". Since tax-exempt shareholders could have cashed in the associate credits, it would have made sense for them to buy the special dividend shares from taxpaying investors. But even if all the credits had found their way to tax-exempt shareholders, they would only have been worth £153m. Moreover Reuters is still free to pay special dividends. And tax-exempt investors will still receive credits, but only in proportion to their share of the company's equity. If they own half Reuters' shares, their credits will be worth £77m. That is £77m less than the maximum possible under Retuers' original plan or only 0.6 per cent of its market capitalisation. Yesterday's 2.6 per cent fall in its shares is at least four times overdone.

RESULTS

	Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Bloomsbury Publish ... 6 mths to June 30	4.4	(3.1)	0.379L	(0.391L)	4.41L	(4.55L)	0.7	Nov 29	0.68	-	3.4
Intermediate Cap ...... 6 mths to July 31	21□	(17.6□)	11.1♠	(10.5)	15.3	(14.9)	4.8	Nov 5	4.3	-	13.4
Lucas Inds ...... Yr to July 31	2,989	(2,796)	180.1♠	(30.4♠)	12.1	(3.8L)	⁑	-	4.9	7	7
Lyons Irish ♣ ...... Yr to Aug 17 ☆	27.1	(37.9)	8.51	(12.8)	24.59	(35.02)	5	Dec 13	5	12.8	16
Manchester United ...... Yr to July 31	53.3	(60.6)	15.4♥	(20)	18.4	(23.4)	3.6	Dec 2	3.1	5.2	4.5
Merivale Moore ...... Yr to June 30	11.21	(14.86)	0.76♠	(2.22)	1.7	(7.83)	2	Dec 16	2.5	3.5	3.75
Moorepay Φ ...... Yr to Dec 31	-	(-)	-	(-)	-	(-)	1.4§§	Nov 1	1.2	-	4.4
Rockwood Mineral .... 6 mths to June 30	*10*	*(8.47)*	*0.663*	*(0.652)*	*2.54†*	*(4.06)*	*1*	*Nov 28*	*1*	-	*3*
Raine ...... Yr to June 30	447.3	(510.1)	0.572♥	(101.8L♠)	0.07	(49.59L)	nil	-	nil	nil	0.5
Sinclair (William) ...... Yr to June 30	45.5	(44.4)	6.33♥	(4.73)	16	(14.7)	6.1	Nov 14	5.8	8	7.6
St Ives ...... 53 weeks to Aug 2	328.8	(264.2)	42.2	(35.5)	28.74	(25.36)	7.1	Dec 4	6	10	8.5
Thorntons ...... 53 wks to June 29	97.6	(95.6)	13.8L♠	(10.5♠)	23.46L	(10.36)	3.8	Nov 29	3.8	5.3	5.3
Trafficmaster ...... 6 mths to June 30	1.34	(1.25)	1.42L	(1.12L)	6.2L†	(5.1L)	-	-	-	-	-
Walker Greenbank .... 6 mths to July 31	51.5	(45)	4.36	(4.24)	2.42†	(2.51)	1.3	Dec 10	1.3	-	3.7

Investment Trusts	NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
HTR Inc & Growth ..... 6 mths to Aug 31	116.6	(110.3)	1.25	(0.965)	5.05	(3.9)	1.6#	Nov 5	1.5	-	6
New City & Comm .... 6 mths to July 31	121.5	(131.2♦)	0.43	(0.329)	3.39	(2.59)	1.3	Nov 22	1.3	-	4.3

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. □Total income. ⁑Second interim in lieu of final already declared. ♣Irish currency. ☆ Comparatives for 76 weeks. ΦAim stock. §§Third interim: makes 3.6p (3p) to date. #Second interim: makes 3.2p (3p) to date. ♦At January 31.

Manchester Utd dips to £15.4m

By Patrick Harverson

The football adage that success on the field breeds success off it was disproved by Manchester United yesterday when the club reported a fall in profits, despite winning the Premiership and FA Cup double last season.

However, the club put the decline in pre-tax profits from £20m to £15.4m ($24m) down to three one-off factors and said it expected both revenues and profits to rebound this season.

The fall in profits and a drop in turnover for the year to July 31 was blamed on reduced match attendances due to the rebuilding of the North Stand, the absence of income from the European Champions League, and the replacement of video, book and magazine sales with higher margin royalty income.

NEWS DIGEST

Lonrho to pick hotel bidders

The Lonrho board is poised to select preferred bidders for its Princess and Metropole Hotel chains after abandoning plans for a joint £700m ($1.09bn) flotation.

Fairmont, the San Francisco-based privately-owned hotel group in which Prince al-Waleed, the wealthy Saudi investor has a 50 per cent stake, has emerged as a front runner for the 10 Princess resort hotels. UK-based Stakis and Millennium & Copthorne are among groups vying for the five UK Metropole conference hotels, valued by analysts at between £300m and £350m.

Three US groups are understood to have ruled themselves out. Hilton Hotels Corporation said yesterday it was not interested, while ITT Sheraton and Marriott International are also believed to have withdrawn. It is understood a European hotel group and an Asian chain have also shown interest in Princess, which could fetch £300m. *Scherazade Daneshkhu and Ross Tieman*

Hyder sells rest of CableTel

International CableTel, the US group, yesterday bought the remaining 40 per cent stake in CableTel South Wales from Hyder, the Welsh multi-utility, for $78m in convertible stock. Hyder had been in talks to sell the local franchise company for a number of months.

The consideration comes in the form of a new class of non-voting convertible preferred stock, which when converted will be valued at $78m. *Jane Martinson*

Golden votes for Ashanti

Shareholders in Golden Shamrock Mines, the Australian company, have overwhelmingly approved a merger with Ashanti Goldfields of Ghana in spite of a substantial fall in the value of Ashanti's offer since it was made. In August, when the offer had fallen from $290m to $265m, there were some indications that there might be a rival bid but this did not emerge. *Kenneth Gooding*

FT may buy Dutch daily paper

By Raymond Snoddy

The Financial Times has opened negotiations to buy *Financieele Dagblad*, the Netherlands' only financial and business daily.

The FT, part of Pearson, the media, information and entertainment group, has tried to buy the paper before but without success.

The latest negotiations are believed to have the support in principle of the Sijthoff family which owns the nearly 200-year old title and of the paper's important supervisory board.

Mr Alan Miller, deputy chief executive of the Financial Times said yesterday: "We are interested. There have been a series of talks over a number of years, including recently."

Eurotunnel braced for a turbulent journey

The French co-chairman adjusts to new priorities, writes **Andrew Jack**

Sitting in his Paris office smoking a cigarette and looking extremely weary Mr Patrick Ponsolle, Eurotunnel's joint chairman, is bracing himself for the next step in the group's turbulent evolution.

After more than 12 months of intense negotiations with his creditor banks over an agreement finalised on Tuesday last week, Mr Ponsolle is now adjusting to a new set of priorities. He must now sell the plan to Eurotunnel's investors, ahead of a vote at the extraordinary general meeting next spring.

On Monday he announced details of the restructuring of FFr70bn ($13.5bn) of debt.

"Our work is now well engaged," he says. "We have done 60-70 per cent of the work, but we still have 30 per cent to do in convincing the shareholders and banks." That will not be an easy task. With more than a touch of brinkmanship, he still estimates the chance of success at "a little more than one in two."

Mr Ponsolle argues that there are two interpretations to this week's agreement. From the Anglo-Saxon perspective, he says, it must look "a rather unusual compromise," given that most UK financial restructurings wipe-out a very high proportion of the equity and sometimes fail, ending in receivership or administration. Eurotunnel, instead, begins with the banks holding just 45.5 per cent of the shares, rising to a maximum of just over 60 per cent.

He says that the second and French reading is much more difficult. "Some shareholders think bankruptcy would have been a better solution. It's true that it would have imposed substantial sacrifices on the banks, but it would not have prevented shareholders from being liquidated."

"I think we went as far as possible. I tried to pull the elastic as long and hard as possible, but to stop just before it cracked. I honestly do not think we could have achieved more. The two mandataries had the same feeling," he adds, refering to Lord Wakeham and Mr Robert Badinter, appointed by the Paris commercial court to assist the talks.

Mr Ponsolle's first challenge will be to help Eurotunnel's shareholders – more than 700,000 – comprehend the plan. It involves a cocktail of debt-for-equity swaps, variable interest loans and optional additional subscriptions by existing investors over many years.

But he rejects suggestions that the agreement is too difficult to understand. "All the simple formulae we looked at would have been extremely disadvantageous for the shareholders. The plan is much simpler than many alternatives."

His other principal campaign in the next few months will be to renew efforts to persuade the French and UK governments to extend the length of the concession – this would increase future returns to investors many years into the next century.

The original hope was to be able to announce such a decision at the same time as the details of the agreement, which he believes would have raised the probability of the plan being ratified by bankers and shareholders to "two in three."

Now he is pushing for a decision by the end of the year, armed with the continued threat that the creditor banks could still take control of the company, depriving the governments of substantial tax revenues in the coming years.

Yet Mr Ponsolle also has a third role to fulfil. He says that while he has been involved in many tense financial negotiations, none was as stressful as the Eurotunnel talks. That was partly because he had to maintain his role as executive of a company, alongside his central position in the discussions with bankers.

He says his efforts in the last two years to turn Eurotunnel into a group "capable of delivering a commercial, high quality product" are now 80 per cent complete. During 1996, he says, it will for the first time achieve one objective: to more than double turnover.

He believes this week's plan will avoid the need for future restructuring, although refinancings are certain to happen. "The big unknown is whether Eurotunnel will be not just a commercial success, but a financial success."

BUSINESS AND THE ENVIRONMENT

Help over the hurdle

Businesses often need some persuading to adopt greener technologies, says Leyla Boulton

What do a former ICI chemist and the head of Greenpeace have in common? A lot, it seems: when it comes to agreeing on the difficulties of promoting new technologies and products to help the environment.

Noel Morrin, now director of the National Environmental Technology Centre (Netcen) owned by AEA Technology, the privatised UK science and engineering group, argues that the main obstacle is the absence of tools to help purchasers assess different technologies.

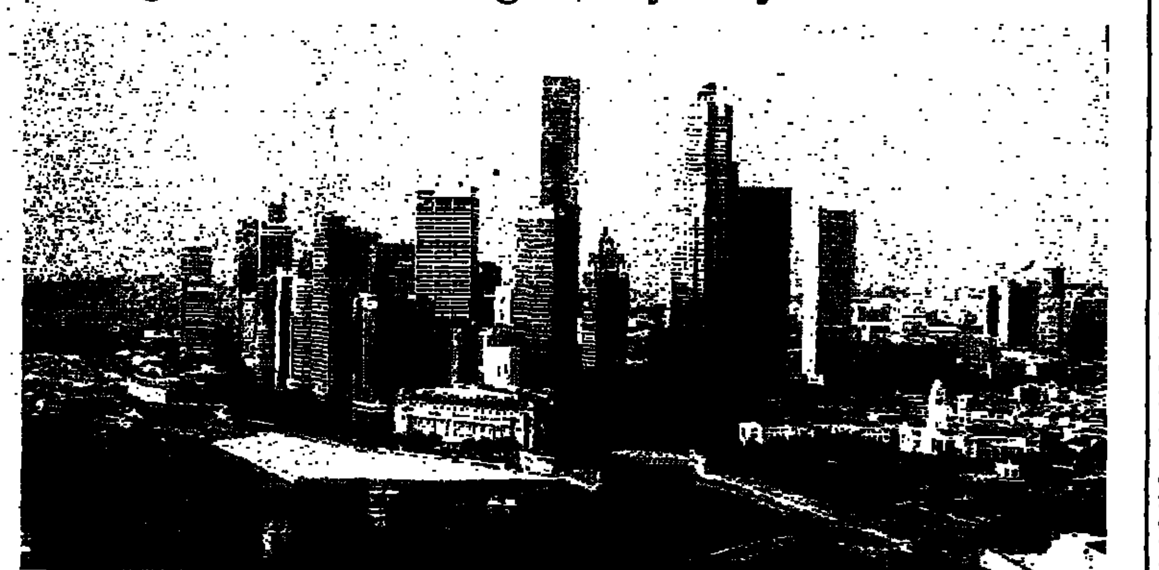
"Where is the kitemark for the environment? Companies are very confused about what is technology for the environment." And eco-labelling, which is still only primitive for consumer products, is virtually non-existent for industrial consumers. This is in spite of the fact that industry is regulated by standards ambitiously known as Best Practicable Environmental Option (BPEO) and Best Available Technology Not Entailing Excessive Cost (Batneec).

Less sympathetic is Peter Melchett, executive director of Greenpeace UK, the environmental pressure group which recently served notice that it is bent on "solutions enforcement". This means campaigning for markets to adopt products and technologies that solved environmental problems but are being suppressed under pressure from the vested interests of industry. "There is a huge gulf between can be done and what is being done," Melchett said recently.

This shift is partly due to a recognition that businesses are increasingly outweighing governments in their ability to call the shots on the environment. This was shown last summer, when Shell dropped a plan, which had been defended tooth and nail by the UK government as the best practicable environmental option, to dump the Brent Spar oil platform in the Atlantic.

The Environmental Industries Commission, a UK lobby group for suppliers of environmental technology, still sees an important role for government. It wants tax breaks for environmentally sound technologies and dreams of state intervention such as that undertaken by Singapore.

The city-state recently launched the Environment Technology Institute to attract foreign know-how with an invitation to help companies disseminate their technologies throughout south-east Asia.



Singapore: the city-state has set up a body to try and attract foreign know-how

A partnership between companies and environmentalists, involving governments where necessary, seems the more likely approach for most western countries. In the UK the Environmental Industries Commission is demanding that the government strictly enforce existing legislation to help build markets for new environmental technologies.

Morrin's colleagues at Netcen assess environmental technology for the government in areas from air quality to energy efficiency. But Morrin says the powers of government regulators in this area are limited because it is not their role to recommend one technology over another.

Moreover, the US experience of "command and control" regulation shows that letting authorities dictate to companies which technologies they should use is inefficient, and a brake on companies' creativity.

Morrin believes that the environmental industry would benefit more from aping the information technology industry's independent benchmarking and productivity clubs.

Although Morrin concedes that the vested interests cited by Greenpeace also have a role in slowing new technologies' arrival to market, he points out they must also secure markets. "The world is littered with environmental technology. The challenge is turning it into something that is commercially viable."

Sellers of new technology often need to prove that they work to overcome the natural conservatism of buyers. They also need to compete in price, which often can only happen once they can sell more of the new product. A prime example of a path-breaking technology which has had to overcome obstacles of this kind is microfiltration, which has advantages over conventional water treatment methods.

It can not only recycle scarce water resources, including sewage sludge. It can be installed quickly. It does a better job at removing bacteria which can cause stomach upsets, and takes up less room than conventional plants. But the water industry has been slow to take it up, partly because it is accustomed to big concrete plants. However, next month North West Water opens a new microfiltration plant which it built in five months to increase supplies quickly after last summer's drought.

So far, new technologies have mostly been brought on by industry only after old ones have been proven to cause environmental damage, as was the case with proof that CFC gases used in refrigerants and aerosols were destroying the earth's protective ozone layer.

But this is a pattern which environmental pressure groups such as Greenpeace are keen to break. They want companies to apply the precautionary principle more aggressively and act before a danger is 100 per cent proven.

By vowing to ensure that some businesses thrive – such as purveyors of solar energy and PVC-free building materials, Greenpeace is also offering to lend its campaigning muscle to companies which have a compelling environmental case. Greenpeace points to its success in securing a market place for "greenfreeze" refrigeration which uses small quantities of hydrocarbons rather than ozone-depleting CFCs or CFC substitutes.

Although critics warn that hydrocarbons used in greenfreeze are flammable, Greenpeace maintains that quantities used are too small to be dangerous.

A conclusion many companies will be drawing from the green freeze experiment is that it could be profitable to harness Greenpeace's campaigning muscle and credibility to a marketing campaign.

There are risks, however, for Greenpeace in travelling this route, particularly if it backs products which subsequently fail.

A previous article in this continuing series appeared on September 25.

Advice from frontline of eco-management

A chemical executive's guidebook on how industry can find salvation in environmentally friendly innovation is symptomatic of how business is part of the environmental solution and not just the problem.

This call to arms is contained in *Driving Eco-Innovation*, a book co-authored by Claude Fussler, vice-president for environment, health and safety, and new businesses, at Dow Europe, the European arm of the US chemical giant.

The book, launched today, challenges companies to seek radical improvements in the environmental performance of their products – both to secure their own long-term future and that of the planet.

Written jointly with Peter James, a management expert, the book pulls together hard-headed arguments for innovative companies "to force the pace of sustainable development".

And in a welcome change from the vague nature of much of the literature on the subject, the book provides a wealth of hands-on advice on how to move towards a goal seen as too elusive for many companies to bother about.

The main innovation is a new management tool devised by Fussler and his colleagues to help Dow practise what the book preaches.

Their so-called "eco-compass" measures how a new product compares to existing practice according to six parameters:

- The quantity of materials wasted in its manufacture.
- Its risk to health and environment.
- Energy use throughout the product's life.
- The extent to which it lends itself to revalorisation, whether recycling, incineration for energy, or re-use
- Its ability to conserve natural resources.
- Its ability to extend the useful life of a product.

It even takes the brave step of putting numbers on what it takes for a product to be sustainable, citing a 75 per cent improvement on the status quo as a starting point.

Material intensity, for instance, is a "critical" variable because of the scope for reducing the waste that goes into manufacturing products society takes for granted, whether washing-up sponges or adhesive-tape dispensers.

It quotes a study showing that Germans consume a yearly average of 76 tonnes of solid materials per capita and 60 tonnes of domestic water to enjoy their standard of living. Most of this however ends up as sewage, discharged into the atmosphere, or as solid waste.

The compass is then used to assess the sustainability of products ranging from Procter & Gamble's compact washing powder to styrofoam insulation boards which double up as walls for housing and are produced by Azurel, a Dow subsidiary.

> **'Business prefers to wait and see if environmental issues are real before taking action'**

Some of the eco-compass criteria, such as minimising energy consumption as well as the techniques for innovative thinking, are already part of the accepted wisdom of total quality management. But Fussler argues that this is the first time that so many parameters are fused into what he describes as "a very powerful checklist".

The book finds existing tools for benchmarking environmental performance to be not quite up to the task. It says that lifecycle analyses are too detailed for immediate comparison of different options, while environmental management systems are often not conducive to radical thinking.

Asked why Dow would want to share the eco-compass with its competitors if it is such a useful tool, Fussler admits to the need for a more proactive approach among its customers and suppliers.

As the authors points out, business on the whole prefers to "wait and see whether whether environmental issues are real before taking action".

It cites "the relative novelty of the issue and the potential costs" as one explanation for business insisting on a "complete scientific understanding and a full cost benefit analysis as a requisite for environmental decisions".

But it is in no doubt that such "inertia" is the wrong approach, as illustrated by the devastating impact on the beef industry of waiting for the UK government to confirm that BSE was indeed a threat.

Fussler and James say that businesses would do well to embrace a "precautionary" philosophy of anticipating environmental concerns before they are fully proven. But the authors concede that the willingness of companies to innovate is also driven by the regulatory framework set by governments.

Indeed, one of their more daring messages is to urge environmentalists and regulators to create "sufficient costs to make waiting expensive, so that acting is in a company's self-interest". This is brave advice from an industrialist whose company frequently faces tough demands from environmentalists.

Perhaps less surprisingly, the book does not dwell on what its advice means for Dow's response to calls by Greenpeace for the phasing out of PVC.

Polyvinyl chloride is vital to the structure of the chlorine industry, in which Dow is a big player. If Fussler's advice has any currency within his own company, Dow will already have developed a strategy for dealing with the possibility of life without PVC, if only behind closed doors.

LB

Driving Eco-Innovation *is available from Pitman Publishing (tel +44 171 447 2000; fax +44 171 240 5771) or the FT Bookshop on Freecall 0500 418419 (UK) or +44 181 964 1251 (outside UK). £45.*

INTERNATIONAL CAPITAL MARKETS

Annington Finance in £904m securitisation

INTERNATIONAL BONDS

By Conner Middelmann

The sterling asset-backed securities market yesterday was boosted by a £903.8m transaction securitising rental income from former UK Ministry of Defence properties.

The three-tranche offering partly finances the recent £1.66bn purchase of some 57,000 homes for married service personnel by Annington Homes, a consortium led by Nomura International.

The bonds, issued by Annington Finance, a special purpose vehicle, are secured on quarterly rental payments from the Ministry of Defence guaranteed until 2021. Because this gives the paper an implicit government guarantee, the issue is rated triple-A by Duff & Phelps and Moody's, and carries a 20 per cent risk weighting.

HSBC Markets, joint lead with Nomura, reported strong demand for the deal and said it was oversubscribed following a week of extensive pre-marketing.

"The fixed tranches have gone to traditional core UK investors, as one would expect with a long-dated sterling bond, and the floater has gone to traditional FRN buyers," said an official at HSBC. "The market will trade this as a plain-vanilla benchmark sterling bond, not as some esoteric asset-backed transaction," he added.

The first tranche comprised £354.1m of 10-year floating-rate notes priced at 99.73 to yield 3/8 over Libor. By the end of the day, the price had risen to 99.88 bid and the spread had narrowed by 3.5 basis points, the official said.

The two fixed-rate tranches – £180m of 7¾ per cent 15-year bonds yielding 35 basis points over gilts and £369.3m of 8 per cent 25-year bonds at a 33 basis point spread – were placed mainly with UK investors: asset management firms, pension funds and insurance companies. The spreads on both tranches ended the day at around 30 basis points, HSBC said.

Another securitisation hit the dollar sector late in the day: a $1bn offering of floating-rate notes for Deutsche Floorplan Receivables Master Trust, resulting from Deutsche Bank's purchase of ITT Commercial Finance of the US.

The bonds are backed by a variety of consumer receivables, many of which are secured by underlying inventories, such as computers, recreational vehicles or musical instruments, lead manager Deutsche Morgan Grenfell said.

The notes are rated triple-A by Fitch, Moody's and Standard & Poor's. DMG said it had placed about a third of its commitment outside the US.

"The success of these asset-backed deals indicates there's still plenty of people out there for Libor-plus returns," said a dealer.

In the emerging markets, another haven for yield-hungry investors, Petroleos Mexicanos issued $300m of three-year bonds yielding 175 basis points over Treasuries at the re-offer.

While that was deemed tight by many dealers, lead manager UBS reported strong demand, especially from European and Asian accounts, including retail.

Mulialand, the Indonesian industrial, trading and property group, made its eurobond debut with $100m of five-year fixed-rate bonds, to be priced today at 290 basis points over Treasuries, and $100m of three-year floating-rate notes.

Lead J. P. Morgan said the FRN appealed to Asian banks while the fixed tranche was aimed at non-Asian institutional investors.

Elsewhere, Deutsche Finance issued DM1bn of 30-year zero-coupon bonds which saw strong demand from Italian retail investors, who have recently been snapping up long-dated lira-denominated zeros.

In an environment of falling returns, "people want to squeeze out every last bit of yield," a DMG syndicate manager in Frankfurt explained.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
DFRMT 1996 1, Class A(a)‡	1bn	(a1)	100.00	Oct 2001	-	-	Deutsche Morgan Grenfell
Household Bank (Nevada)‡	300	(b)	99.757R	Oct 2003	0.25R	-	Morgan Stanley & Co Intl
Pemex	300	7.75#	99.80R	Oct 1999	0.375R	+175(i)	UBS
Mulialand Finance	100	(c)#	(c)R	Oct 2001	1.50R	+290(6¾%-01)	JP Morgan Securities
Mulialand Finance‡	100	(d)	100.00R	Oct 2001	0.75R	-	JP Morgan Securities
D-MARKS							
Deutsche Finance (Neths)	1bn	zero	13.20	Oct 2026	0.60	-	Deutsche Morgan Grenfell
Venezuela SSI (Jersey)(e)	100	10.125	99.50R	Dec 2003	1.00R	-	CSFB-Effectenbank
Great Belt‡	100	(f)	100.00	Oct 2002	0.20	-	Lehman Bros Bankhaus
STERLING							
Annington Finance No 1(g1)‡	354.1	(g2)	99.73R	Oct 2006	0.375R	-	HSBC Markets/Nomura Intl
Annington Finance No 1(g3)	369.3	8.00	99.218R	Oct 2021	0.625R	+33(8¾%-17)	HSBC Markets/Nomura Intl
Annington Finance No 1(g4)	180.4	7.75	99.269R	Oct 2011	0.625R	+35(9%-08)	HSBC Markets/Nomura Intl
GUILDERS							
BNG	1.5bn	6.125	99.90R	Oct 2006	0.325R	+16½(i)	Rabobank International
DePfa Finance(l)	200	5.00	99.65R	Dec 2001	0.275R	+21(6¾%-01)	Rabobank International
FRENCH FRANCS							
Dresdner Finance	2bn	6.25	99.794R	Nov 2006	0.35R	+18(8½%-06)	BNP/Dresdner-KB
ITALIAN LIRE							
European Investment Bank	500bn	7.875	101.142	Nov 2005	1.875	-	BCI/Cariplo/S Paolo/JPM
AUSTRALIAN DOLLARS							
Swedish Export Credit★	230	6.03#	100.00	Oct 1998	1.20	-	IBJ Intl/New Japan Secs
NEW ZEALAND DOLLARS							
Bayerische Vereinsbank	100	8.00	100.85	Nov 1999	1.50	-	Toronto-Dominion Bank
World Bank	100	8.50	100.795	Nov 1997	1.00	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Deutsche Floorplan Receivables Master Trust. Average life: 3 yrs. a1) 3-mth Libor +8½bp. a2) Class B: $31.747m, 3-mth Libor +28bp. av life: 3 yrs. a3) Class C was privately placed. b) 3-mth Libor +⅛%. c) Priced today. d) 6-mth Libor +225bp. e) Synthetic Sovereign Investments. Underlying: Venezuela DCBs Series DL due 18/12/07. Callable on 28/12/01 at par. Short 1st & long last coupons. f) 6-mth Libor +30bp when Libor is less than 8%, otherwise 24.3% - (2 x 6-mth Libor), minimum zero. g1) Amortises from Apr 97. g2) 3-mth Libor flat. g3) Amortises from 2/1/12. Average life: 5/8/16. Quarterly coupons. g4) Amortises from Jan 07. Average life: 21/4/09. Quarterly coupons. i) Over interpolated yield. l) Long 1st coupon.

Matav to benefit from aggressive bids by lenders

By Conner Middelmann

Matav, Hungary's telecommunications operator, is set to become the latest beneficiary of intense competition among banks in the syndicated loans market, which has pushed interest margins for Hungarian borrowers sharply lower.

Lenders' hearty appetite for higher-yielding eastern European assets is likely to fuel fierce competition to win the mandate for Matav's forthcoming five-year facility, expected to total as much as $250m.

With most top arrangers expected to bid for the role of arranger, the borrower is likely to receive very aggressive bids which may enable it to undercut the margin the Hungarian government paid on a recent loan.

Hungary's $300m five-year loan, arranged in August, pays a margin of 50 basis points over Libor, and bankers say Matav could achieve a margin of 40 to 45 basis points, about a third of the 130 point margin it paid on a $150m five-year deal in January. That would, nevertheless, be above the 30-point margin recently paid by the Central European International Bank. CEIB and Matav have significant foreign shareholders.

"Hungary has undergone a massive re-rating during the course of the year – it's joined the OECD and while it doesn't have an investment-grade rating, a lot of people expect it to be upgraded soon," said one banker, who felt the deal "could work around 40" basis points over Libor. Moreover, supply of Hungarian assets has been scarce.

Meanwhile, MOL, Hungary's oil company, has successfully completed a split six-year and seven-year term loan facility totalling $100m; the deal, arranged by ABN Amro and Bankers Trust, was not increased despite heavy oversubscription, and was signed yesterday.

Elsewhere in eastern Europe, a $200m renegotiated and increased facility for CEZ, the Czech state-owned electricity company, is to be signed today. It was originally established as a $100m three-year revolving credit facility a year ago, but has been extended to five years with the margin unchanged at 25 basis points over Libor. Sumitomo Bank acted as arranger.

The $175m three-year term loan being arranged by ABN Amro and Citibank for the National Bank of Romania is expected to be signed in London next Wednesday. The facility – which features the most advantageous terms achieved to date by a Romanian borrower – pays 187.5 basis points over Libor.

A $100m five-year loan for the ABC International Bank, the UK subsidiary of the Arab Banking Corporation, was signed last week. Although it was oversubscribed, it was not increased in size and most of the banks were scaled back.

Pricing of the loan – with a margin of 35 basis points over Libor and fees of 22.5 basis points for lead managers – established a new benchmark for a unit of an Arab institution, according to joint arrangers ING Barings and Société Générale.

The majority of the banks participating in the transaction are based in western Europe, enabling ABC International Bank to further develop its relationships in the region, they said.

Bunds bolstered by speculation over rate cut

GOVERNMENT BONDS

By Richard Lapper in London and Lisa Bransten in New York

Speculation over a cut in the repo rate and a shift in sentiment over European monetary union following recent comments from Bundesbank officials bolstered German bonds yesterday, with yields falling across the curve.

On Liffe, talk of a cut in the repo rate cut was the dominant theme. The December 10-year contract was pushed higher by buying from locals and a large institutional order in the afternoon, to settle at 99.60, up more than a quarter of a point on the day.

Volume was high, with more than 200,000 contracts traded. In the cash market Germany outperformed Italy and Sweden, with 10-year yield spreads widening by 3 and 5 basis points to 235 and 124 points, respectively.

Mr Julian Jessop, chief European economist at Nikko in London, said many international investors were "overweight" in the high yielders and were looking to take profits. "Throughout the rally we have seen people asking whether it is time to get out," he added.

By contrast, the Spanish market had another good day, with news of a 13.2 per cent reduction in the budget deficit for the first nine months of 1996 providing support. On Meff, the December bono contract gained more than a third of a point, while in the cash market the 10-year yield spread fell by 3 basis points to 172 points.

France also outperformed Germany, with domestic buying of longer-dated paper pushing the 10-year yield down by 6 basis points to 5.96 per cent. The 10-year yield spread over Germany fell and is now negative to the tune of 2 basis points.

■ Gilts closed slightly higher, with the December long gilt settling 4 ticks up on the day. Analysts said the announcement of new rules for the taxation of some special dividends and share buy-backs had little impact but could prove beneficial in the longer term.

"This could lower prospective returns on equities and in terms of asset allocation, may tilt the balance towards the fixed income market," said Mr Kevin Adams, gilts strategist at BZW.

■ US Treasury prices were flat in early trading as investors awaited the results of the afternoon auction of $10bn in 10-year notes.

Near midday, the benchmark 30-year Treasury was up 1/32 to 99 17/32, yielding 6.781 per cent, while the two-year note was unchanged at 100 5/32, yielding 5.880 per cent. The December 30-year bond future rose 1/32 to 111 9/32.

Bonds moved briefly higher after the Federal Reserve Bank of Richmond, Virginia reported weakness in regional manufacturing, but those early gains were lost by late morning.

Decent demand was expected at the auction, but much of the market's focus remained on the September retail sales and producer price figures, due on Friday.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	93.8890	-0.870	7.63	7.77	8.11
Austria		6.250	05/06	101.5700	+0.420	5.93	6.00	6.36
Belgium		7.000	05/06	106.3600	+0.160	6.10	6.19	6.61
Canada *		7.000	12/06	101.4400	-0.180	6.80	7.09	7.40
Denmark		8.000	03/06	108.2000	+0.100	6.79	6.89	7.34
France	BTAN	5.500	10/01	102.4748	+0.360	4.94	5.15	5.61
	OAT	6.500	10/06	103.9900	+0.460	5.96	6.09	6.43
Germany Bund		6.250	04/06	101.8000	+0.290	5.99	6.05	6.37
Ireland		8.000	08/06	107.8200	+0.070	6.88	6.90	7.62
Italy		9.500	02/06	108.3000	-0.400	8.20†	8.38	9.35
Japan	No 140	6.600	06/01	121.6378	+0.110	1.64	1.77	1.87
	No 182	3.000	09/05	101.8322	+0.040	2.75	2.83	2.98
Netherlands		8.500	06/06	118.5200	+0.160	5.92	5.94	6.33
Portugal		9.500	02/06	112.5500	+0.750	7.57	7.85	8.62
Spain		8.800	04/06	107.1500	+0.340	7.69	7.88	8.83
Sweden		6.000	02/05	92.4477	-0.060	7.23	7.35	8.14
UK Gilts		8.000	12/00	104-19	+2/32	6.71	6.89	7.02
		7.500	12/06	100-22	+3/32	7.40	7.59	7.87
		9.000	10/08	111-13	+3/32	7.54	7.74	7.99
US Treasury *		7.000	07/06	103-12	-2/32	6.49	6.58	6.82
		6.750	08/26	99-17	-3/32	6.79	6.88	7.02
ECU (French Govt)		7.000	04/06	104.8400	+0.140	6.30	6.39	6.82

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.90
Prime rate	8¼	Two month	-	Three year	6.06
Broker loan rate	7	Three month	5.12	Five year	6.26
Fed.funds	5⅛	Six month	5.31	10-year	6.53
Fed.funds at intervention	-	One year	5.51	30-year	6.79

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	125.66	126.14	+0.30	126.18	125.62	163,228	199,867
Mar	125.62	126.14	+0.36	126.16	125.62	6,478	30,984
Jun	124.54	125.06	+0.36	124.54	124.54	2	3,844

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Mar
122	-	4.15	-	0.01	0.06	0.46
123	-	-	-	0.02	0.10	0.63
124	2.17	2.32	-	0.04	0.19	-
125	1.26	1.51	-	0.14	0.39	-
126	0.56	0.90	-	0.42	0.73	-

Est. vol. total, Calls 40,678 Puts 28,967. Previous day's open int. Calls 145,504 Puts 149,823.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.30	99.60	+0.27	99.70	99.16	209392	250775
Mar	98.24	98.61	+0.29	98.68	98.23	2468	7408

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9950	0.44	0.74	0.49	0.81	0.34	0.64	1.38	1.70
10000	0.21	0.50	0.33	0.64	0.61	0.90	1.72	2.03
10050	0.09	0.32	0.22	0.48	0.99	1.22	2.11	2.37

Est. vol. total, Calls 15282 Puts 12683. Previous day's open int., Calls 196584 Puts 183566

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	123.12	123.28	-0.04	123.45	122.75	55846	83923
Mar		122.52	-0.04			0	1142

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
12300	1.54	1.96	1.26	2.44
12350	1.26	1.72	1.48	2.70
12400	1.03	1.50	1.75	2.98

Est. vol. total, Calls 3389 Puts 3491. Previous day's open int., Calls 142634 Puts 134111

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	107.32	107.36	+0.41	107.84	107.03	88,383	70,491

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	110-17	110-24	+0-04	110-29	110-07	67029	165344
Mar		109-30	+0-04			0	1156

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
110	1-06	1-32	1-21	1-52	0-22	0-48	1-25	1-56
111	0-33	0-60	0-56	1-22	0-49	1-12	1-60	2-26
112	0-13	0-34	0-35	0-62	1-29	1-50	2-39	3-02

Est. vol. total, Calls 2344 Puts 1746. Previous day's open int., Calls 36756 Puts 25987

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	93.90	94.30	+0.18	94.30	93.68	2,697	7,167
Mar	93.44	93.44	-	93.44	93.44	1	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	111-05	111-05	-	111-09	111-02	141,347	390,684
Mar	110-23	110-24	+0-02	110-24	110-20	1,238	24,520
Jun	-	110-06	-	-	-	1,088	4,756

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	123.16			123.16	123.08	1292	n/a
Mar	122.13			122.13	122.13	12	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Tue Oct 8	Day's change %	Mon Oct 7	Accrued interest	xd adj. ytd		Low coupon yield Oct 8	Oct 7	Yr. ago	Medium coupon yield Oct 8	Oct 7	Yr. ago	High coupon yield Oct 8	Oct 7	Yr. ago
1 Up to 5 years (22)	122.13	0.07	122.04	2.19	7.69	5 yrs	6.83	6.85	7.66	6.89	6.91	7.67	6.95	6.98	7.78
2 5-15 years (19)	151.85	0.05	151.76	3.21	7.96	15 yrs	7.68	7.67	8.27	7.68	7.68	8.31	7.73	7.73	8.39
3 Over 15 years (8)	167.75	0.01	167.74	2.93	9.83	20 yrs	7.81	7.78	8.31	7.77	7.77	8.35	7.82	7.81	8.42
4 Irredeemables (6)	193.34	-0.23	193.79	3.75	8.83	Irred.†	7.68	7.86	8.41						
5 All stocks (55)	145.46	0.05	145.38	2.82	8.35										

Index-linked							Inflation 5% Oct 8	Oct 7	Yr. ago	Inflation 10% Oct 8	Oct 7	Yr. ago
6 Up to 5 years (2)	202.87	0.03	202.80	0.99	4.43	Up to 5 yrs	2.72	2.73	3.27	2.09	2.09	2.22
7 Over 5 years (10)	194.68	0.11	194.47	1.21	4.03	Over 5 yrs	3.41	3.41	3.76	3.22	3.22	3.57
8 All stocks (12)	194.49	0.10	194.30	1.18	4.00							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Oct 8	Oct 7	Oct 4	Oct 3	Oct 2	Yr ago	High*	Low*
Govt. Secs. (UK)	94.90	94.86	94.92	94.67	94.49	92.78	96.34	91.59
Fixed Interest	116.27	114.91	114.81	114.51	114.23	111.04	116.27	110.74

Gilt Edged Activity Indices

	Oct 7	Oct 4	Oct 3	Oct 2	Oct 1
Gilt Edged bargains	87.9	98.3	138.1	105.3	84.6
5-day average	102.8	105.1	107.0	101.0	106.2

 * for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Conversion 10pc 1996	9.96	5.65	100⅜	—	103	100⅜
Treas 13¼pc 1997‡‡	12.98	5.72	102⅛	—	107	100½
Exch 10½pc 1997	10.33	5.73	101⅝	—	107⅛	101⅝
Treas Cnv 7pc 1997‡‡	6.94	5.84	100	—	101	100⅛
[illegible]						
Treas 8½pc 2005‡‡	7.91	7.34	107	—	108	101
Treas 7½pc 2006‡‡	–	7.40	100	—	101	94
Treas 7¾pc 2006‡‡	7.59	7.43	102¼	–⅛	103¼	96⅞
Treas 8pc 2002-6‡‡	7.73	7.46	103½	+⅛	104	97⅞
[illegible]						
Index-Linked	(b)					
4⅝pc '98‡‡ (135.6)	0.35	2.04	114¼	—	114¼	111
2½pc '01 (78.3)	2.82	3.17	184	+⅛	184	175¼
2½pc '03 (78.8)	2.89	3.30	180	+⅛	180	171
4⅝pc '04‡‡ (135.6)	2.98	3.33	118	+⅛	118	112
[illegible]						

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on October 8

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5½ 03	1000	99¼	99½	–⅛	5.63
ABN Amro Bank 7¼ 05	1000	101¼	101½	–⅛	7.18
African Dev Bk 7⅜ 23	500	98⅜	99	–⅛	7.51
Alberta Province 7⅝ 98	1000	102⅞	103⅛		6.10
Asian Dev Bank 6¼ 05	750	96¾	96⅞	–⅛	6.85
Austria 8½ 00	400	106⅛	106½	–⅛	6.36
Baden-Wuertt L-Fin 8⅛ 00	1000	105	105⅛		6.38
[illegible]					
Sweden 8 97	2500	104⅞	105		3.30
United Kingdom 7⅛ 97	5500	103⅞	104¼		3.32
Volkswagen Intl Fin 7 03	1000	106	106¼	–⅛	5.87
World Bank 5⅞ 03	3000	102⅛	102¼	+⅛	5.50
World Bank 7⅛ 05	3000	107½	107½	+¼	5.97
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	39½	41	+⅜	4.92
[illegible]					
Abbey Natl Treasury 8 03 £	1000	102⅝	102¾		7.48
British Land 8⅞ 23 £	150	95⅛	95⅞	–¼	9.57
Denmark 6¾ 98 £	800	100½	100⅝	–⅛	6.45
Depfa Finance 7⅛ 03 £	500	98	98¼		7.49
EIB 6 03 £	1000	103⅞	104		7.24
Glaxo Wellcome 8¾ 05 £	500	105⅛	105½		7.90
Hanson 10⅜ 97 £	500	103⅛	103⅞		6.50
HSBC Holdings 11.69 02 £	153	117⅞	118⅛	+⅛	7.74
[illegible]					

CURRENCIES AND MONEY

D-Mark rises on Bundesbank's Emu concerns

MARKETS REPORT

By Richard Adams

The D-Mark gathered strength across the board yesterday, after a verbal campaign by German central bankers to support a strict interpretation of the criteria for joining a single European currency.

A Bundesbank council member warned that overseas investors were "armed and ready" to move their money out of the European monetary union area if the new currency was perceived to be weak.

The D-Mark rose against the US dollar on foreign exchange markets. By the close of trading in London the D-Mark had risen to DM1.5272 against the dollar, up from Monday's close of DM1.5304.

Against sterling the D-Mark rose by nearly half a pfennig. It closed at DM2.3872, from DM2.3931.

The German comments cast a shadow over hopes that peripheral European currencies, such as the peseta and the lira, would participate in the first round of Emu.

The lira fell back from L991.6 to L998.3 against the D-Mark. The peseta also lost a lot of the ground it had gained recently, falling from Pta84.08 to Pta84.48. The Swedish krona sagged to SKr4.336 from SKr4.321, spurred along by its central bank's decision to cut interest rates.

With no important US economic data due until Friday, the dollar could languish through the middle of the week, dealers said.

The dollar continued to trade in narrow ranges. Against the Japanese yen it was almost static, ending at Y111.275 from Y111.260.

■ Pound in New York

Oct 8	—Latest—	— Prev. close —
£ spot	1.5635	1.5620
1 mth	1.5628	1.5623
3 mth	1.5631	1.5605
1 yr	1.5587	1.5580

■ Mr Franz-Christoph Zeitler, a Bundesbank council member, yesterday echoed President Hans Tietmeyer's warning that countries should not "window dress" economic data in order to meet the requirements of monetary union.

Mr Zeitler stressed the need for a stable euro. He warned that a euro perceived to be weak would damage the EU in the eyes of the public and markets.

A weak euro could prompt a shift of capital out of the countries likely to join Emu in the first round, forcing up interest rates.

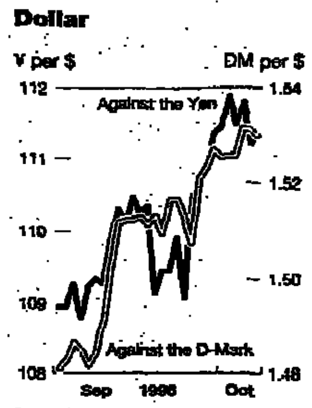
"One must not overlook the fact that monetary capital formation is weak; many investors have short-term positions and are thus armed and ready to react to signs of a weak euro," Mr Zeitler said.

Another Bundesbank council member, Mr Klaus-Dieter Kuebacher, said Emu should probably start with a small group of nations rather than be delayed in the hope of gathering more member countries.

Mr Kuebacher, president of the regional central bank in Berlin, said in a speech that there was no guarantee economic convergence between participating countries would be improved if Emu were delayed.

It would be equally unwise to start monetary union at any cost by relaxing the entry criteria to allow more countries in, he said.

Dollar



Source: Datastream

■ Sweden's central bank cut its key interest rate, the repurchase rate, by another 10 basis points to 4.95 per cent.

The cut was the 21st this year. The repo rate, the central rate in the bank's three tier system, began the year at 8.91 per cent.

The central bank's deposit rate stands at 4.75 per cent and the lending rate at 6.25 per cent.

■ The next British government is unlikely to raise interest rates dramatically in the year after the election, according to a Reuters survey of economists.

While most agree that interest rates are on their way up, they said that base rates would rise by only 1.0 per cent from its current 5.75 per cent level by the end of the first half of 1998.

The poll showed economists expect base rates to rise by 25 basis points by the end of the second quarter next year, whoever comes to power.

■ The Chinese yuan ended at a 14-month high of Yn8.3003 against the dollar on the Shanghai interbank market, up from Monday's Yn8.3007.

Traders thought the yuan is likely to soon break through key resistance at Yn8.3, due to China's rising foreign exchange reserves and a foreign trade surplus.

■ OTHER CURRENCIES

Oct 8	£	$
Czech	Kc42.4797 - 42.5383	27.1750 - 27.2060
Hungary	242.678 - 242.790	155.220 - 155.270
Iran	4690.60 - 4695.40	3000.00 - 3000.00
Kuwait	0.4685 - 0.4691	0.2996 - 0.3000
Poland	4.3858 - 4.3920	2.8070 - 2.8090
Russia	8475.06 - 8484.60	5423.00 - 5426.00
U.A.E.	5.7400 - 5.7433	3.6729 - 3.6731

● For the latest market update, ring FT Cityline on +44 990 209909

To subscribe, call +44 171 873 4378

POUND SPOT FORWARD AGAINST THE POUND

Oct 8		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.7845	-0.0411	870 - 020	16.8334	16.7463	16.751	3.1	16.6845	2.4	-	-	104.5
Belgium	(BFr)	49.1627	-0.1267	344 - 909	49.2860	49.0390	49.0427	2.9	48.8177	2.8	47.7977	2.8	108.1
Denmark	(DKr)	9.1458	-0.0169	418 - 497	9.1684	9.1223	9.1285	2.3	9.0969	2.1	8.9586	2.0	107.5
Finland	(FM)	7.1329	-0.0127	271 - 386	7.1440	7.1020	-	-	-	-	-	-	85.2
France	(FFr)	8.0684	-0.0187	651 - 716	8.0799	8.0510	8.0518	2.5	8.021	2.3	7.8833	2.3	108.8
Germany	(DM)	2.3872	-0.0059	862 - 882	2.3942	2.3805	2.3817	2.8	2.3704	2.8	2.3205	2.8	107.3
Greece	(Dr)	375.215	-1.125	041 - 388	376.416	374.276	-	-	-	-	-	-	67.6
Ireland	(I£)	0.9739	-0.0026	732 - 745	0.9769	0.9728	0.9737	0.2	0.9734	0.2	0.9706	0.3	100.1
Italy	(L)	2374.09	+1.1	305 - 511	2375.23	2364.47	2379.14	-2.5	2387.89	-2.3	2409.09	-1.5	77.7
Luxembourg	(LFr)	49.1627	-0.1267	344 - 909	49.2860	49.0390	49.0427	2.9	48.8177	2.8	47.7977	2.8	108.1
Netherlands	(Fl)	2.6805	-0.0046	794 - 816	2.6892	2.6714	2.6738	3.1	2.6602	3.0	2.6016	2.9	106.2
Norway	(NKr)	10.1593	-0.0157	541 - 625	10.1782	10.1147	10.1483	1.2	10.1368	0.9	10.0848	0.7	98.5
Portugal	(Es)	241.606	-0.304	488 - 748	241.994	240.876	241.853	-1.2	242.233	-1.0	-	-	95.8
Spain	(Pta)	200.865	-0.353	789 - 938	201.153	200.274	201.069	-1.2	201.368	-1.1	202.113	-0.6	80.2
Sweden	(SKr)	10.3075	-0.0341	973 - 177	10.3446	10.2935	10.3067	0.1	10.3048	0.1	10.2962	0.1	90.8
Switzerland	(SFr)	1.9540	-0.0095	527 - 553	1.9623	1.9469	1.9485	4.6	1.9327	4.4	1.8716	4.2	111.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	86.9
Ecu	-	1.2480	-0.0033	473 - 487	1.2502	1.2454	1.2462	1.8	1.2427	1.7	1.2249	1.8	-
SDR†	-	1.087080	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5630	-0.0005	625 - 634	1.5636	1.5612	-	-	-	-	-	-	-
Brazil	(R$)	1.5979	-0.0011	972 - 985	1.5985	1.5960	-	-	-	-	-	-	-
Canada	(C$)	2.1178	+0.0016	168 - 187	2.1189	2.1126	2.1141	2.1	2.107	2.0	2.0806	1.7	85.2
Mexico	(New Peso)	11.7784	-0.0066	664 - 833	11.7835	11.7581	-	-	-	-	-	-	-
USA	($)	1.5632	-0.0006	628 - 636	1.5638	1.5614	1.5624	0.6	1.5617	0.4	1.5581	0.3	97.3
Pacific/Middle East/Africa													
Australia	(A$)	1.9806	-0.0073	795 - 817	1.9880	1.9769	1.9822	-1.0	1.9846	-0.8	1.9905	-0.5	93.7
Hong Kong	(HK$)	12.0868	-0.0041	833 - 902	12.0905	12.0735	12.0827	0.4	12.0798	0.2	12.0808	0.0	-
India	(Rs)	55.7125	-0.0744	201 - 048	55.8100	55.6190	-	-	-	-	-	-	-
Israel	(Shk)	4.9833	-0.0052	781 - 885	4.9888	4.9760	-	-	-	-	-	-	-
Japan	(Y)	173.945	-0.086	862 - 029	174.040	173.340	173.085	5.8	171.485	5.7	164.7	5.3	131.2
Malaysia	(M$)	3.9127	+0.0017	109 - 145	3.9149	3.9048	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2601	-0.0041	584 - 618	2.2625	2.2558	2.2579	-4.1	2.2818	-3.8	2.3203	-2.7	109.3
Philippines	(Peso)	41.0497	-0.0144	610 - 383	41.1404	40.9572	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8627	-0.0023	610 - 644	5.8647	5.8560	-	-	-	-	-	-	-
Singapore	(S$)	2.2053	-0.002	039 - 066	2.2066	2.2019	-	-	-	-	-	-	-
South Africa	(R)	7.0899	-0.0041	842 - 956	7.0962	7.0637	-	-	-	-	-	-	-
South Korea	(Won)	1295.89	+1.18	540 - 638	1296.43	1292.18	-	-	-	-	-	-	-
Taiwan	(T$)	42.9860	+0.0005	814 - 146	43.0289	42.9276	-	-	-	-	-	-	-
Thailand	(Bt)	39.7678	-0.0265	420 - 936	39.7940	39.7140	-	-	-	-	-	-	-

† Rates for Oct 7. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 8		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.7437	-0.0225	416 - 457	10.7739	10.7230	10.724	2.2	10.6837	2.2	10.4887	2.4	104.4
Belgium	(BFr)	31.4500	-0.07	400 - 600	31.5360	31.3900	31.385	2.5	31.2525	2.5	30.6325	2.6	105.7
Denmark	(DKr)	5.8507	-0.01	497 - 517	5.8676	5.8396	5.8418	1.8	5.8234	1.9	5.7417	1.9	106.8
Finland	(FM)	4.5630	-0.0085	605 - 654	4.5729	4.5425	4.5542	2.3	4.5354	2.4	4.453	2.4	84.5
France	(FFr)	5.1615	-0.0107	607 - 622	5.1735	5.1545	5.1528	2.0	5.1347	2.1	5.0525	2.1	108.2
Germany	(DM)	1.5272	-0.0032	269 - 274	1.5317	1.5236	1.5242	2.4	1.5175	2.5	1.4873	2.6	107.1
Greece	(Dr)	240.030	-0.635	980 - 080	240.920	239.510	241.385	-6.8	244.155	-6.9	255.18	-6.3	67.0
Ireland	(I£)	1.6051	+0.0037	045 - 058	1.6069	1.5985	1.6048	0.2	1.6045	0.1	1.6013	0.2	-
Italy	(L)	1518.74	+1.24	847 - 900	1520.15	1512.97	1522.54	-3.0	1528.49	-2.6	1543.99	-1.7	77.5
Luxembourg	(LFr)	31.4500	-0.07	400 - 600	31.5360	31.3900	31.385	2.5	31.2525	2.5	30.6325	2.6	105.7
Netherlands	(Fl)	1.7148	-0.0023	145 - 150	1.7183	1.7106	1.711	2.7	1.703	2.8	1.6675	2.8	105.6
Norway	(NKr)	6.4984	-0.0077	974 - 994	6.5168	6.4705	6.4947	0.7	6.486	0.8	6.4634	0.5	97.8
Portugal	(Es)	154.560	-0.14	510 - 610	154.790	154.100	154.765	-1.6	155.06	-1.3	155.835	-0.8	95.9
Spain	(Pta)	128.495	-0.18	480 - 510	128.720	128.200	128.675	-1.7	128.935	-1.4	129.6	-0.9	79.8
Sweden	(SKr)	6.5939	-0.0194	890 - 987	6.6185	6.5883	6.5911	0.5	6.5812	0.8	6.5339	0.9	90.1
Switzerland	(SFr)	1.2500	-0.0056	495 - 505	1.2558	1.2465	1.2456	4.2	1.2372	4.1	1.1995	4.0	110.1
UK	(£)	1.5632	-0.0006	628 - 636	1.5638	1.5614	1.5624	0.6	1.5617	0.4	1.5581	0.3	86.8
Ecu	-	1.2526	+0.0026	522 - 529	1.2547	1.2495	1.2530	-1.3	1.2571	-1.4	1.2736	-1.7	-
SDR†	-	0.695154	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0222	-0.0003	220 - 223	1.0223	1.0219	-	-	-	-	-	-	-
Canada	(C$)	1.3548	+0.0015	545 - 550	1.3564	1.3525	1.353	1.6	1.3489	1.7	1.3343	1.5	84.6
Mexico	(New Peso)	7.5335	-0.008	310 - 360	7.5400	7.5300	7.6615	-18.8	7.918	-20.4	8.7785	-16.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	98.2
Pacific/Middle East/Africa													
Australia	(A$)	1.2670	-0.0042	666 - 674	1.2679	1.2665	1.2685	-1.4	1.2704	-1.1	1.2759	-0.7	94.9
Hong Kong	(HK$)	7.7321	+0.0001	318 - 323	7.7325	7.7317	7.732	0.0	7.7325	0.0	7.7436	-0.1	-
India	(Rs)	35.6400	-0.035	900 - 900	35.6920	35.5870	35.855	-7.2	36.315	-7.6	-	-	-
Israel	(Shk)	3.1879	-0.0022	854 - 904	3.1910	3.1853	-	-	-	-	-	-	-
Japan	(Y)	111.275	+0.015	250 - 300	111.350	110.990	110.77	5.4	109.775	5.4	105.56	5.1	131.8
Malaysia	(M$)	2.5030	+0.002	025 - 035	2.5037	2.4993	2.5059	-1.4	2.5112	-1.3	2.5325	-1.2	-
New Zealand	(NZ$)	1.4458	+0.0012	451 - 466	1.4476	1.4448	1.4513	-4.6	1.4558	-2.7	1.4871	-2.9	-
Philippines	(Peso)	26.2600	-	100 - 100	26.3100	26.2100	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0001	503 - 506	3.7508	3.7502	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4107	-0.0008	102 - 112	1.4118	1.4100	1.4085	1.8	1.404	1.9	1.3827	2.0	-
South Africa	(R)	4.5355	-0.001	330 - 380	4.5385	4.5340	4.5762	-10.8	4.6512	-10.2	4.968	-9.5	-
South Korea	(Won)	829.000	+1.05	900 - 100	829.300	828.700	-	-	-	-	-	-	-
Taiwan	(T$)	27.5000	+0.01	900 - 100	27.5210	27.4840	27.5001	0.0	27.5003	0.0	-	-	-
Thailand	(Bt)	25.4400	-0.008	300 - 500	25.4520	25.4290	25.53	-4.2	25.6975	-4.0	26.335	-3.5	-

† SDR rate per $ for Oct 7. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 7: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

October 8	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3⅜	3½	3⅝	6.00	2.50	-
week ago	3¼	3¼	3⅜	3½	3⅝	6.00	2.50	-
France	3⅜	3⅜	3⅜	3⅜	3⅝	3.35	-	4.75
week ago	3⅜	3⅜	3⅜	3⅜	3⅝	3.35	-	4.75
Germany	3¼	2⅞	3	3⅛	3¼	4.50	2.50	3.00
week ago	3⅜	2⅞	3⅛	3⅛	3⅜	4.50	2.50	3.00
Ireland	5⅞	5½	5⅜	5⅞	5⅞	-	-	6.25
week ago	6⅛	5⅜	5⅞	5⅞	5⅞	-	-	6.25
Italy	8⅝	8⅞	8⅛	7⅞	7⅝	-	8.25	8.38
week ago	8⅝	8⅞	8⅜	7⅞	7½	-	8.25	8.38
Netherlands	2⅞	2⅞	2⅞	2⅞	3	-	3.00	3.30
week ago	2⅞	2⅞	2⅞	2⅞	3	-	3.00	3.30
Switzerland	1⅛	1⅛	1⅛	1⅛	1⅛	-	1.00	-
week ago	1⅛	1⅛	1⅛	1⅛	1⅛	-	1.00	-
US	5⅛	5⅜	5⅝	5⅜	5⅞	-	5.00	-
week ago	5⅜	5⅜	5⅝	5⅜	5⅞	-	5.00	-
Japan	½	⅜	½	½	⅝	-	0.50	-
week ago	½	⅜	½	½	⅝	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	5⅜	5⅝	5⅝	5⅞	-	-	-
week ago	-	5⅜	5⅝	5⅝	6	-	-	-
US Dollar CDs	-	5.10	5.14	5.20	5.40	-	-	-
week ago	-	5.10	5.22	5.35	5.62	-	-	-
ECU Linked Ds	-	4¼	4¼	4⅛	4⅛	-	-	-
week ago	-	4¼	4⅜	4⅜	4⅛	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3⅜	3⅜	-	-	-
week ago	-	3¼	3⅜	3⅜	3⅜	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 8	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.39	96.40	+0.01	96.40	96.35	10,206	75,263
Mar	96.37	96.39	+0.02	96.39	96.34	6,554	39,024
Jun	96.34	96.37	+0.03	96.36	96.30	4,702	29,270

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.84	96.86	+0.02	96.87	96.84	25518	211305
Mar	96.80	96.83	+0.03	96.84	96.79	18434	217702
Jun	96.70	96.73	+0.02	96.75	96.68	24905	162618
Sep	96.54	96.58	+0.03	96.59	96.51	25213	139006

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.36	92.37	-	92.40	92.30	18721	66741
Mar	92.96	92.95	-0.02	92.97	92.85	15302	41595
Jun	93.22	93.25	+0.02	93.27	93.13	4917	31335
Sep	93.29	93.34	+0.04	93.38	93.24	2876	21582

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.40	98.40	-	98.41	98.37	5681	39914
Mar	98.38	98.38	-0.01	98.41	98.36	6384	21963
Jun	98.29	98.28	-0.02	98.30	98.25	2008	11132
Sep	98.07	98.04	-0.03	98.08	98.01	842	3141

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.42	99.41	-0.01	99.42	99.42	10	n/a
Mar	99.32	99.31	-0.01	99.32	99.32	10	n/a
Jun	99.18	99.18	-	99.18	99.18	200	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.87	95.91	+0.02	95.91	95.86	905	8895
Mar	95.88	95.92	+0.02	95.92	95.87	698	4200
Jun	95.87	95.92	+0.03	95.92	95.87	91	2538
Sep	95.77	95.85	+0.06	95.86	95.77	80	2121

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 8		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.60	16.41	4.837	1.981	4829	5.454	20.67	491.5	408.7	20.97	3.975	2.034	4.308	3.179	353.7	2.539
Denmark	(DKr)	53.75	10	8.821	2.600	1.065	2596	2.931	11.11	264.2	219.7	11.27	2.136	1.093	2.316	1.709	190.1	1.365
France	(FFr)	60.93	11.34	10	2.947	1.207	2942	3.323	12.59	299.5	249.0	12.78	2.422	1.239	2.625	1.937	215.5	1.547
Germany	(DM)	20.67	3.846	3.393	1	0.410	998.3	1.127	4.272	101.6	84.48	4.336	0.822	0.421	0.891	0.657	73.13	0.525
Ireland	(I£)	50.47	9.390	8.283	2.441	1	2437	2.753	10.43	248.0	206.3	10.59	2.006	1.027	2.175	1.605	178.5	1.281
Italy	(L)	2.071	0.385	0.340	0.100	0.041	100.	0.113	0.428	10.18	8.463	0.434	0.082	0.042	0.089	0.066	7.325	0.053
Netherlands	(Fl)	18.34	3.411	3.009	0.887	0.363	885.5	1	3.790	90.12	74.93	3.846	0.729	0.373	0.790	0.583	64.86	0.465
Norway	(NKr)	48.39	9.002	7.941	2.341	0.959	2337	2.639	10	237.8	197.7	10.15	1.923	0.984	2.085	1.538	171.2	1.228
Portugal	(Es)	20.35	3.786	3.339	0.984	0.403	982.6	1.110	4.205	100.	83.15	4.267	0.809	0.414	0.877	0.647	71.98	0.517
Spain	(Pta)	24.47	4.553	4.016	1.184	0.485	1182	1.334	5.057	120.3	100.	5.132	0.973	0.498	1.054	0.778	86.56	0.621
Sweden	(SKr)	47.68	8.871	7.825	2.306	0.945	2303	2.600	9.855	234.3	194.9	10	1.895	0.970	2.054	1.516	168.7	1.210
Switzerland	(SFr)	25.16	4.681	4.129	1.217	0.498	1215	1.372	5.200	123.6	102.8	5.276	1	0.512	1.084	0.800	89.00	0.639
UK	(£)	49.16	9.146	8.068	2.378	0.974	2374	2.681	10.16	241.6	200.9	10.31	1.954	1	2.118	1.563	173.9	1.248
Canada	(C$)	23.21	4.318	3.809	1.123	0.460	1121	1.266	4.797	114.1	94.85	4.868	0.923	0.472	1	0.738	82.11	0.589
US	($)	31.45	5.852	5.162	1.521	0.623	1519	1.715	6.500	154.6	128.5	6.596	1.250	0.640	1.355	1	111.3	0.798
Japan	(Y)	28.27	5.259	4.639	1.367	0.560	1365	1.542	5.842	138.9	115.5	5.929	1.124	0.575	1.218	0.899	100.	0.718
Ecu		39.39	7.329	6.465	1.905	0.780	1902	2.148	8.141	193.6	161.0	8.261	1.566	0.801	1.697	1.252	139.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6559	0.6586	+0.0027	0.6591	0.6556	15,108	68,236
Mar	0.6626	0.6626	+0.0025	0.6626	0.6625	102	1,688
Jun	-	0.6660	+0.0018	-	-	150	2,167

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8030	0.8068	+0.0041	0.8081	0.8027	10,953	44,238
Mar	0.8150	0.8147	+0.0040	0.8155	0.8147	150	1,675
Jun	0.8230	0.8230	-	0.8230	0.8230	202	597

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9078	0.9073	-0.0011	0.9095	0.9054	26,929	75,353
Mar	0.9197	0.9198	-0.0013	0.9197	0.9184	73	1,714
Jun	-	0.9300	-0.0018	-	0.9255	2	200

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5624	1.5618	-0.0008	1.5626	1.5600	4,552	44,527
Mar	1.5600	1.5606	-0.0014	-	-	11	87
Jun	-	1.5620	-	-	-	4	2

UK INTEREST RATES

LONDON MONEY RATES

Oct 8	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅜ - 5	5$\frac{13}{16}$ - 5$\frac{13}{16}$	5⅞ - 5¾	5$\frac{15}{16}$ - 5$\frac{13}{16}$	6$\frac{1}{16}$ - 5$\frac{15}{16}$	6¼ - 6⅛
Sterling CDs	-	-	5⅞ - 5$\frac{13}{16}$	5⅞ - 5$\frac{13}{16}$	5$\frac{29}{32}$ - 5$\frac{27}{32}$	6⅛ - 6$\frac{1}{16}$
Treasury Bills	-	-	5$\frac{11}{16}$ - 5⅝	5$\frac{11}{16}$ - 5$\frac{5}{16}$	-	-
Bank Bills	-	-	5$\frac{23}{32}$ - 5$\frac{13}{16}$	5$\frac{23}{32}$ - 5$\frac{13}{16}$	5$\frac{13}{16}$ - 5$\frac{11}{16}$	-
Local authority deps.	5$\frac{13}{16}$ - 5$\frac{11}{16}$	5$\frac{13}{16}$ - 5$\frac{11}{16}$	5$\frac{13}{16}$ - 5¾	5⅞ - 5$\frac{13}{16}$	6 - 5⅞	6⅛ - 6$\frac{1}{16}$
Discount Market deps	6¼ - 5¾	5⅞ - 5¾	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Oct 4, 5.4919pc. ECGD fixed rate Stlg. Export Finance. Make up day Sep 30, 1996. Agreed rate for period Oct 26, 1996 to Nov 25, 1996, Schemes II & III 7.09pc. Reference rate for period Aug 31, 1996 to Sep 30, 1996, Schemes IV & V 5.849pc. Finance House Base Rate 6pc from Oct 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.05	94.06	-	94.06	94.04	7110	107756
Mar	93.90	93.93	+0.01	93.93	93.89	6539	76538
Jun	93.70	93.72	-0.01	93.73	93.68	6794	75486
Sep	93.47	93.49	-0.01	93.50	93.44	5359	44387
Dec	93.21	93.25	+0.01	93.26	93.20	4090	33882

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9400	0.14	0.15	0.18	0.08	0.22	0.46
9425	0.03	0.06	0.10	0.22	0.38	0.63
9450	0.01	0.02	0.05	0.45	0.59	0.83

Est. vol. total, Calls 2629 Puts 779. Previous day's open int., Calls 112178 Puts 124079

EMS EUROPEAN CURRENCY UNIT RATES

Oct 8	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.792214	0.784322	+0.000069	-1.00	2.36	7
Portugal	195.792	194.178	-0.041	-0.82	2.18	6
Spain	162.493	161.521	-0.123	-0.60	1.95	4
Netherlands	2.15214	2.15456	-0.00143	0.11	1.22	-1
Belgium	39.3960	39.5372	-0.0299	0.36	0.97	-3
Austria	13.4383	13.5056	-0.0124	0.50	0.83	-4
Germany	1.91007	1.91976	-0.00172	0.51	0.82	-5
Denmark	7.28580	7.35561	-0.00633	0.96	0.37	-7
France	6.40608	6.49169	-0.00632	1.34	0.00	-11
NON ERM MEMBERS						
Greece	292.867	301.762	-0.395	3.04	-1.65	-
Italy	2106.15	1909.25	+7.18	-9.35	11.79	-
UK	0.786652	0.805663	+0.002845	2.42	-1.05	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	Nov	Dec	PUTS Oct	Nov	Dec
1.540	2.34	2.46	2.61	-	0.12	0.38
1.550	1.34	1.67	1.84	-	0.34	0.64
1.560	0.43	1.02	1.34	0.04	0.69	1.04
1.570	-	0.55	0.87	0.60	1.23	1.57
1.580	0.05	0.25	0.52	1.53	2.00	2.22

Previous day's vol., Calls 1,517 Puts 4,508. Prev. day's open int., Calls 142,128 Puts 257,498

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.35	94.35	-0.01	94.36	94.34	58,939	489,151
Mar	94.26	94.27	-0.01	94.28	94.26	71,448	371,960
Jun	94.14	94.15	-	94.16	94.13	39,993	271,786

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.88	94.90	-	94.90	94.88	736	4,234
Mar	94.79	94.79	-0.01	94.80	94.79	15	1,590
Jun	-	94.65	-	-	94.65	44	846

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	Nov	Dec	Mar	PUTS Oct	Nov	Dec	Mar
9675	0.11	0.13	0.14	0.20	0	0.02	0.03	0.12
9700	0.01	0.02	0.03	0.08	0.15	0.16	0.17	0.25
9725	0	0	0	0.03	0.39	0.39	0.39	0.45

Est. vol. total, Calls 8370 Puts 9392. Previous day's open int., Calls 372482 Puts 292076

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9850	0.07	0.15	0.18	0.17	0.27	0.41
9875	0.02	0.08	0.10	0.37	0.45	0.57

Est. vol. total, Calls 0 Puts 750. Previous day's open int., Calls 4553 Puts 1276

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9225	0.27	0.80	1.11	0.15	0.10	0.11
9250	0.14	0.60	0.90	0.27	0.15	0.15
9275	0.06	0.43	0.72	0.44	0.23	0.22

Est. vol. total, Calls 575 Puts 2800. Previous day's open int., Calls 87250 Puts 44603

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	NatWestminster	5.75
Allied Trust Bank	5.75	Duncan Lawrie	5.75	●Rea Brothers	5.75
AIB Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	●Singer & Friedlander	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Smith & Williamson Secs	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	TSB	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of India	5.75	●Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Western Trust	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Whiteaway Laidlaw	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75		
Citibank NA	5.75	Julian Hodge Bank	5.75		
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75		
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	*Mount Credit Corp	6.00		

● Members of London Investment Banking Association
* In administration

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 09.10.96: Pool purchase price £/MWh	Final Prices for Trading on 11.08.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.09	9.05	9.05
0100	9.09	9.01	9.01
0130	9.09	9.01	9.01
0200	9.10	9.01	9.01
0230	9.10	9.01	9.01
0300	9.09	9.01	9.01
0330	9.09	9.01	9.01
0400	9.09	9.01	9.01
0430	9.09	9.00	9.00
0500	9.09	9.00	9.00
0530	11.63	8.99	8.99
0600	11.82	8.99	8.99
0630	14.74	9.01	9.01
0700	14.82	9.06	9.06
0730	20.85	13.27	15.30
0800	30.00	25.16	28.08
0830	51.21	29.22	33.10
0900	52.72	36.39	41.82
0930	52.06	42.26	48.89
1000	51.91	57.47	64.79
1030	51.42	59.37	67.10
1100	32.25	49.29	57.21
1130	33.22	50.52	58.67
1200	33.84	60.11	58.21
1230	32.63	45.72	52.91
1300	30.73	39.89	45.93
1330	28.93	25.65	30.39
1400	17.43	22.16	26.13
1430	16.97	20.19	23.69
1500	16.73	19.56	22.94
1530	16.90	20.78	24.47
1600	18.52	25.01	29.89
1630	33.56	44.69	51.19
1700	62.84	50.58	58.14
1730	63.80	47.91	54.84
1800	62.87	39.04	44.28
1830	56.67	20.34	23.56
1900	104.65	10.58	10.58
1930	108.86	12.16	12.15
2000	80.56	21.01	24.41
2030	28.01	22.61	26.00
2100	21.80	20.76	23.82
2130	20.35	16.51	18.99
2200	19.75	13.67	15.73
2230	19.66	12.88	14.81
2300	19.65	12.56	14.47
2330	19.65	12.68	14.60
2400	14.78	12.55	14.47

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
©Energy Settlements and Information Services Limited

COMMODITIES AND AGRICULTURE

Oil market holds on to gains

By Robert Corzine

Oil prices stayed firm yesterday as traders reported few signs that the current rally, which has been driven by strong demand for refined products in the US and Europe, was running out of steam.

The price of the benchmark Brent Blend for November delivery was steady at around $24.50 a barrel in late London trading. That represented a rise of more than $6 a barrel over the past two months.

The price of West Texas Intermediate, the US benchmark, was quoted at around $25.50 a barrel in early afternoon trading in New York yesterday, just 20 cents off its high for the year of $25.70 in April, and more than $8.50 above its low.

Traders attribute the steady increase over the past few months to strong fundamental factors, including high demand, as well as tension in the Middle East.

But the present rally has been driven in particular "by real or perceived shortages of products", according to Mr Peter Gignoux, head of the energy desk at the London office of US brokers Smith Barney.

The main shortages have affected fuel oil and diesel prices in both the US and continental Europe. The year-on-year price of heating oil in the US is up 27.75 cents a gallon, as end users and consumers scramble to ensure adequate supplies before the winter sets in.

In normal circumstances such strong demand would lead to arbitrage opportunities for refiners in other regions. But European oil companies have been struggling to meet high regional demand for gasoil, especially from Germany, so there is no surplus that can be quickly diverted across the Atlantic Ocean. Big South American refiners such as Venezuela say they are also not in a position to send more supplies northwards.

The International Energy Agency yesterday confirmed that global oil demand was growing. In its monthly market report it revised upwards its estimate of fourth quarter demand by 100,000 barrels a day to 73.7m b/d.

The scramble to secure some refined products is reflected in figures showing that in Europe and North America middle distillate stocks in August fell from a year earlier by 10 per cent and 11 per cent respectively.

The demand for oil produced from OPEC rose to 24.5m b/d in the third quarter, and is estimated at 35.9m b/d for the fourth.

Test delivery of Kazakh crude planned

By Sander Thoenes in Almaty & Robert Corzine in London

Chevron and Mobil, the US oil companies, will make a trial delivery of oil from their giant Tengiz field in Kazakhstan to Azerbaijan, as part of an attempt to find ways around restricted Russian pipelines that are at present the only way to export large volumes out of the Caspian Sea region.

The search for alternative export routes coincides with yet another missed deadline in negotiations for a new main export pipeline through Russia.

Tengizchevroil (TCO), a joint venture between Chevron, Mobil and the Kazakh government, has agreed to swap 20,000 tonnes of oil with Socar, Azerbaijan's state oil company, to test an alternative export system.

Tengizchevroil will ship the oil by barge across the Caspian, and Socar will send the equivalent amount of Azeri oil by rail to the Georgian port of Batumi on the Black Sea, from where it can be shipped to Western markets.

"It's a one-time swap, testing out the system," said Mr Nick Zana, director general for TCO. He added the swap, which could occur as early as this week, could be repeated "if there are economic merits".

Unable to export significant amounts of oil through Russian pipelines to the West, TCO sends additional shipments by pipeline to Lithuania, by train to Finland and by barge up the Volga river and down the Don to the Mediterranean.

In April a group of Western and Russian oil companies, including Chevron and Mobil, joined the Caspian Pipeline Consortium set up by Russia, Kazakhstan and Oman to build a pipeline from Tengiz and other reserves in Kazakhstan to the Russian Black Sea port of Novorossiisk.

But even though many commercial issues have been resolved, the parties missed a September 30 deadline for full agreement on the project. A new deadline has been pushed back to mid-November, although many suggest that even this date is ambitious and that further extensions may be needed.

"It's going to take a lot longer than anyone had anticipated," one oil executive said. But Mr Edward Smith, general director of the CPC for Oman, said: "There should be no panic. Just because you don't meet a deadline does not mean the deal is dead".

The tax status of the project has proved to be a particularly thorny problem. "There is a delay on the side of the Russian and Kazakh governments regarding taxes," according to Mr Nurlan Balgimbayev, Kazakhstan's powerful minister for oil and gas. "Earlier the CPC was tax exempt, now it is liable to taxes."

The division of that tax take between the finance and energy ministries of Russia and Kazakhstan needs to be resolved, but western executives say that will require political will on the part of both governments to sort out internal arguments over allocation of funds.

Another obstacle is the insistence of Transneft, the Russian pipeline monopoly, to be both a contractor and manager of the consortium. "Companies from the West are particularly sensitive to conflict of interest," said one western executive. Another noted that the Transneft problem was a "fairly fundamental issue".

Some western executives say it may take action on the part of the Azeri government to tilt decisively towards Turkey as the destination of a main export pipeline in order to galvanise Russia into resolving the lingering problems at CPC.

In the absence of progress on a new pipeline the Kazakh government plans to ship its share of Tengiz production to northern Iran, in exchange for Iranian crude deliveries at export terminals on the Gulf. But that swap deal missed a September deadline as well.

Mr Balgimbayev said that Iran had recently demanded compensation for refitting facilities to handle Kazakh crude. Iran last week said that there were no problems over the contract governing the quantity of crude deliveries, but that there were still quality issues to be resolved.

Chevron and Mobil have distanced themselves from this swap, fearing retaliation from Washington. "If the US government says it's okay, of course I'd be interested in the Iranian option," said Mr Zana of Arco. "But our energy is focused on the CPC pipeline. Without CPC, things just aren't going to move here."

Africa still short of food despite crop gains

By Deborah Hargreaves

Many African countries are still short of food in spite of improved harvests in much of sub-Saharan Africa, according to a report published yesterday by the United Nations' Food and Agriculture Organisation.

The report cites 13 African countries facing food shortfalls because of war and natural disasters. "Pockets of famine have developed in several parts of Liberia following a sharp reduction in food production and a serious disruption of relief distribution," the report says.

In parts of Somalia and Sudan, the report says the food supply is "precarious".

The FAO estimates the coarse grains crop in sub-Saharan Africa to be 19.8m tonnes in 1995-1996, 89 per cent above the level of the previous year, which was depressed by drought and 40 per cent above average.

Mr Abdur Rashid, chief of FAO's global information and early warning system, which published the report said: "Even though there has been a good recovery in cereal production, 1996-1997 is likely to be marked by relatively tight supplies and volatile international cereals prices".

Mr Rashid did not expect global food aid availability to improve from the low level of 7.7m tonnes in 1995-96, making it more difficult for many African countries to feed their people.

Some 40 per cent of the population of sub-Saharan Africa is chronically undernourished – around 215m people – and the FAO believes that number could rise to 265m by 2010.

Food Supply Situation and Crop Prospects in sub-Saharan Africa: Available from FAO, Viale delle Terme di Caracalla, 00100 Rome, Italy. Fax 00396 5225 4495

Finnish wood pulp futures plan hits regulatory snag

By Greg McIvor in Stockholm

Plans to create the world's first trading bourse for wood pulp derivatives are to proceed despite a delay in its launch caused by confusion over the rules governing participation of market makers.

An exchange for pulp options and futures, aimed at offering hedging protection against cyclical price swings, was due to have opened in Helsinki one month ago. Trading failed to start on time, however, following a ruling by Finland's financial supervisory authority that blocked the planned market-making role of banks and securities brokers.

Mr Anders Lindeberg, president of the Finnish Options and Futures Exchange, which is to run the bourse, said he expected trading to commence within three to six weeks.

"The interest from the industry remains strong," he said. "This is a technical delay."

He said the exchange had been forced to reconstruct its trading network after the supervisory authority said it would only accept direct trading by companies or orders placed through authorised commodities brokers. The exchange had intended for transactions to be made through securities brokers and banks. Mr Lindeberg said the restrictions only became clear at a late stage, and after approval had been granted by Finland's finance ministry.

The rules apparently relate to potential conflicts of interest. In the case of pulp mill investments are sometimes tied to pulp prices. This would in theory enable banks to hedge their lending risks through pulp derivatives trading.

Mr Lindeberg said a new system was being devised in which companies could trade directly with each other after opening a clearing account. Trading would start once at least 30 clearing accounts had been drawn up.

Pulp companies, merchants and agents in North America, Scandinavia, Latin America and Asia have expressed interest in the Finnish scheme. Many see options and futures as potential insurance against price volatility, which has been growing in the past 2 years and has triggered swings of up to 50 per cent in the past three years.

In contrast with usual practice in commodities trading, transactions on the Helsinki bourse are to be settled in cash rather than by physical delivery. A previous Canadian attempt ten years ago to launch pulp derivatives foundered partly because of companies' reluctance to take delivery of unseen stocks.

A Swedish derivative exchange operator, OM Gruppen, plans to launch a rival pulp options and futures exchange early next year in London based on physical delivery system.

LME urged to set stock limit

By Kenneth Gooding, Mining Correspondent

The London Metal Exchange should take steps to end "squeezes" in its markets by limiting the amount of stock any organisation might hold at one time and prevent a concentration of stock in a few hands, said Mr Jean-Pierre Rodier, president of Pechiney, the French aluminium and packaging group, yesterday.

This could be done if the warrants covering metal in LME warehouses were changed from being bearer to nominative certificates, he said at the LME's annual dinner in London.

"The point is to provide sufficient liquidity in the market and an early warning system of potentially harmful concentration," Mr Rodier pointed out.

He welcomed the inquiry into the operations of the metals markets in the wake of the Sumitomo scandal but added: "The irony is that such action came so late and it has taken several years of purported price rigging to advance the debate".

Mr Rodier provided other examples of how the operations of the exchange could be made more transparent. He pointed out the LME was important to his company, not least because 45 per cent of Pechiney's operating profit was affected by the volatility of the aluminium price.

"This explains why we become a little nervous when we have the feeling that irresponsible people are playing with it, while the market monitoring authorities do not seem in a position to maintain an orderly functioning of the institution."

Mr Rodier said Pechiney did not want any change to the LME's non-cash clearing system because it was "a real service to the industry," but a system was needed that would identify the total, global credit line advanced to any one organisation.

LME WAREHOUSE STOCKS (As at Thursday's close) tonnes

Aluminium	-2,450	to 967,825
Aluminium alloy	+336	to 81,504
Copper	-8,626	to 220,950
Lead	-625	to 117,100
Nickel	+336	to 39,948
Zinc	-350	to 549,825
Tin	-200	to 9,990

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1308.5-9.5	1342.5-3.0
Previous	1307.5-08.5	1341-42
High/low	1304	1350/1338
AM Official	1304-4.5	1339-9.5
Kerb close		1346.5-47
Open int.	222,069	
Total daily turnover	56,217	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1195-205	1215-25
Previous	1180-85	1205-08
High/low		1215/1205
AM Official	1183-8	1215-6
Kerb close		1215-20
Open int.	5,325	
Total daily turnover	706	

■ LEAD ($ per tonne)

Close	771.5-2.5	771-2
Previous	770-2	770-1
High/low		772/768
AM Official	769-70	769-70
Kerb close		772-3
Open int.	38,744	
Total daily turnover	4,093	

■ NICKEL ($ per tonne)

Close	7040-50	7155-60
Previous	6930-40	7040-50
High/low		7250/7010
AM Official	6935-40	7040-45
Kerb close		7240-50
Open int.	43,595	
Total daily turnover	13,382	

■ TIN ($ per tonne)

Close	6005-15	6060-65
Previous	5970-80	6030-35
High/low		6080/6045
AM Official	5990-6000	6050-55
Kerb close		6060-65
Open int.	16,673	
Total daily turnover	3,057	

■ ZINC, special high grade ($ per tonne)

Close	1000-01	1026-6.5
Previous	998.5-1000.5	1025.5-26
High/low	999/998	1037/1024
AM Official	998-9	1024.5-5.0
Kerb close		1034-5
Open int.	72,817	
Total daily turnover	17,206	

■ COPPER, grade A ($ per tonne)

Close	1945-7	1935-6
Previous	1915-17	1909-10
High/low	1908	1954/1895
AM Official	1907.5-8.0	1903-4
Kerb close		1948-9
Open int.	176,086	
Total daily turnover	49,184	

■ *LME AM Official £/$ rate: 1.5814*
LME Closing £/$ rate: 1.5830

Spot: 1.5633 3 mths: 1.5619 6 mths: 1.5607 9 mths: 1.5596

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	92.90	+2.95	93.00	90.00	196	3,671
Nov	92.25	+3.05	92.20	89.50	70	1,911
Dec	91.65	+3.20	91.70	88.30	4,385	25,897
Jan	91.25	+3.10	89.00	88.00	11	1,338
Feb	90.85	+3.00	90.50	89.50	23	919
Mar	90.30	+2.85	90.20	88.20	330	9,160
Total					5,274	57,421

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	380.80-381.20		
Opening	381.10-381.50		
Morning fix	381.00	243.731	475.107
Afternoon fix	380.85	243.588	475.301
Day's High	381.60-382.20		
Day's Low	380.70-381.10		
Previous close	380.25-380.65		

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....3.70 6 months 3.49
2 months ....3.64 12 months 3.63
3 months 3.50

Silver Fix	p/troy oz.	US cts equiv.
Spot	313.00	489.25
3 months	317.25	495.40
6 months	321.25	501.35
1 year	330.10	514.30

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	247-249
Maple Leaf	386.10-388.60	-
New Sovereign	86-90	55-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	381.0	+0.9	381.5	380.8	6	31
Dec	383.4	+0.8	384.3	382.6	16,344	1,103k
Feb	385.6	+0.8	386.5	385.3	293	15,597
Apr	387.8	+0.8	388.0	387.3	456	10,866
Jun	390.1	+0.8	390.8	390.0	25	11,021
Aug	392.5	+0.8	392.5	392.5	105	4,109
Total					17,018	193,849

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Oct	387.1	+0.5	387.5	387.5	66	170
Jan	388.8	+0.2	390.0	388.5	858	20,046
Apr	391.5	+0.2	393.0	393.0	89	7,313
Jul	394.5	+0.2	393.2	393.2	421	918
Oct	398.0	+0.2	399.0	397.0	25	27
Total					931	28,474

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	119.25	-0.50	119.50	118.50	579	7,601
Mar	120.25	-0.50	-	-	-	184
Jun	121.30	-0.50	-	-	-	115
Total					579	7,900

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Oct	485.6	+1.0	486.0	482.0	6	3
Dec	489.6	+1.0	492.5	488.5	6,183	68,252
Jan	492.0	+1.0	-	-	2	28
Mar	496.9	+1.0	499.5	496.0	131	11,019
May	501.6	+1.0	503.0	500.5	13	6,415
Jul	506.3	+0.9	509.5	506.5	136	4,962
Total					8,522	97,446

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	25.30	+0.06	25.34	24.98	32,776	76,907
Dec	24.78	+0.04	24.83	24.54	18,452	73,930
Jan	24.13	+0.07	24.16	23.88	12,888	47,232
Feb	23.46	+0.07	23.46	23.25	4,150	29,224
Mar	22.83	-	22.83	22.71	1,676	17,090
Apr	22.34	-	22.40	22.22	912	14,880
Total					74,408	416,394

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	24.62	+0.13	24.62	24.07	17,778	32,643
Dec	24.08	+0.22	24.08	23.61	9,002	61,452
Jan	23.37	+0.17	23.37	22.93	5,109	28,834
Feb	22.63	+0.13	22.63	22.25	3,204	18,159
Mar	21.87	+0.06	21.87	21.60	5,063	17,691
Apr	21.30	+0.08	21.25	20.98	1,243	7,333
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	75.80	-0.69	76.71	75.00	14,367	43,459
Dec	74.80	-0.50	75.50	74.15	8,960	33,966
Jan	72.80	-0.05	72.96	72.10	5,850	24,902
Feb	69.50	+0.05	69.65	68.90	3,582	13,781
Mar	66.05	+0.25	66.05	65.40	800	8,190
Apr	61.80	-0.10	62.15	61.70	148	4,223
Total					34,505	144,798

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	247.00	-0.25	250.00	244.50	8,494	10,772
Nov	240.00	-0.75	243.25	238.50	10,753	24,725
Dec	230.50	-0.50	233.00	229.25	3,325	20,897
Jan	220.75	-	223.00	219.50	2,398	13,491
Feb	210.75	-0.25	212.50	209.75	493	3,725
Mar	200.50	-0.50	202.25	200.00	743	4,507
Total					27,073	91,158

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	2.440	+0.071	2.450	2.330	18,047	29,759
Dec	2.595	+0.039	2.610	2.505	8,872	23,482
Jan	2.620	+0.052	2.630	2.520	4,213	18,679
Feb	2.500	+0.052	2.500	2.410	1,445	10,858
Mar	2.340	+0.030	2.340	2.285	935	7,246
Apr	2.170	+0.020	2.170	2.130	795	5,322
Total					37,448	139,190

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	66.20	-0.14	66.90	65.50	13,265	25,408
Dec	65.35	+0.17	65.50	64.80	5,091	13,128
Jan	64.00	-0.11	64.20	63.70	2,045	10,348
Feb	63.80	-0.06	63.85	63.55	539	3,131
Mar	63.80	-0.11	64.20	63.80	47	1,783
Apr	65.00	-	65.00	65.00	175	2,359
Total					21,190	57,459

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	102.20	-	102.80	102.30	132	1,604
Jan	104.10	-	104.75	104.10	135	1,970
Mar	105.45	-	106.10	105.75	72	1,457
May	107.20	-	107.85	107.25	62	1,107
Jul	108.50	-0.50	109.00	109.00	42	136
Nov	100.00	-	100.00	99.75	23	47
Total					409	6,314

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	428.50	+6	429.00	419.50	5,559	42,680
Mar	413.75	+4.75	414.00	406.50	2,770	15,975
May	391.25	+4.25	392.50	388.50	212	1,529
Jul	371.75	+4	372.00	366.50	431	7,355
Sep	373.50	+3.5	373.50	372.00	47	176
Dec	381.50	+2.5	381.50	381.50	61	146
Total					8,978	67,916

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	296.50	+3.75	297.25	291.75	31,047	169,136
Mar	303.75	+3.75	304.25	299.00	7,855	72,730
May	309.50	+3.75	310.25	305.00	3,620	32,548
Jul	312.50	+3.75	313.50	308.25	2,043	26,308
Sep	294.75	+4	295.00	291.00	46	2,696
Dec	290.75	+3.25	291.00	287.00	800	17,556
Total					46,214	321,627

■ BARLEY LIFFE (£ per tonne)

Nov	100.75	-0.10	101.10	100.70	83	804
Jan	102.40	-0.10	102.50	102.50	-	706
Mar	103.90	-0.10	104.00	104.00	20	175
May	105.40	-0.10	105.50	105.50	25	70
Total					137	1,813

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Nov	736.50	+2.25	737.50	730.75	41,371	96,366
Jan	744.00	+1.75	745.00	738.50	7,087	32,813
Mar	751.25	+2	751.50	746.00	3,604	21,388
May	751.75	+1	752.50	747.50	1,451	14,054
Jul	753.00	+1.25	754.00	748.00	1,692	10,897
Aug	746.00	+1.5	745.00	745.00	12	296
Total					56,785	182,240

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Oct	23.41	-0.15	23.58	23.36	1,116	1,116
Dec	23.77	-0.09	23.92	23.73	8,575	52,089
Jan	24.04	-0.1	24.19	24.03	1,810	13,467
Mar	24.39	-0.07	24.54	24.38	1,286	14,145
May	24.68	-0.07	24.80	24.69	902	7,914
Jul	25.00	-0.05	25.05	24.95	793	2,002
Total					14,824	93,198

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Oct	247.9	+1.7	247.8	245.4	2,610	6,758
Dec	244.8	+1.7	245.0	242.3	9,891	44,361
Jan	243.1	+1.2	243.4	240.8	2,140	10,397
Mar	240.4	+1.1	240.5	238.3	2,276	13,924
May	237.0	+0.8	237.3	235.7	1,128	8,292
Jul	236.5	+1	236.5	234.8	398	3,510
Total					18,307	89,049

■ POTATOES LIFFE (£/tonne)

Nov	35.0	+2.5	35.0	35.0	-	-
Mar	73.2	-	-	-	-	-
Apr	73.8	+1.1	74.5	73.0	78	1,374
May	84.5	+1.1	-	-	-	17
Jun	93.0	+1.1	-	-	-	-
Total					78	1,343

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Oct	1130	-5	1140	1128	62	1,164
Nov	1195	-7	1205	1195	15	604
Jan	1222	-	1227	1218	36	1,525
Apr	1242	-2	1245	1245	20	543
Jul	1100	+2	1100	1100	10	115
Oct	1230	-5	1225	1225	-	26
Total					164	4,117

	Close	Prev
BFI	1034	1028

FUTURES DATA
All futures data supplied by CMS.

Minor Metals

European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). **Antimony:** 99.6%, $ per tonne, 2,250-2,300 (2,350-2,450). **Bismuth:** min. 99.99%, tonne lots 3.30-3.70. **Cadmium:** min. 99.95%, 85-90 (90-95) cents a pound. **Cobalt:** MB free market, 99.8%, 22.00-22.80 (22.50-23.00); 99.3%, 21.00-21.80 (21.50-21.90). **Mercury:** min. 99.99%, $ per 76 lb flask, 162-172. **Molybdenum:** drummed molybdic oxide, 5.20-5.60 (4.15-4.65). **Selenium:** min 99.5%, 3.00-4.20. **Tungsten ore:** standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 45-55. **Vanadium:** min. 98%, cif, 3.05-3.20 (3.08-3.20). **Uranium:** Nuexco unrestricted exchange value, 15.25 (15.50).

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	974	-2	982	974	1,206	31,568
Mar	1002	-1	1010	1001	1,365	40,427
May	1014	-2	1023	1014	243	19,987
Jul	1027	-3	1037	1027	371	11,490
Sep	1040	-4	1051	1040	20	3,898
Dec	1051	-4	1057	1057	10	3,854
Total					3,873	133,295

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1367	-	1376	1361	3,642	29,695
Mar	1396	+1	1405	1389	1,161	19,361
May	1413	+1	1420	1414	60	8,245
Jul	1427	-3	1439	1427	20	6,134
Sep	1450	+3	1455	1445	21	5,634
Dec	1474	+3	-	-	70	684
Total					5,144	78,830

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Oct 7		
Daily	1025.12	1012.84

■ COFFEE LIFFE ($/tonne)

Nov	1520	-7	1548	1511	1,407	13,265
Jan	1453	-4	1474	1446	794	8,969
Mar	1421	+1	1431	1415	650	5,321
May	1402	+2	1410	1397	375	1,975
Jul	1396	+2	1406	1395	108	246
Sep	1393	+2	1386	1386	10	37
Total					3,334	29,372

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	112.50	-0.20	113.20	111.20	5,540	14,989
Mar	105.65	-0.60	106.40	104.50	1,962	5,316
May	105.50	-0.25	105.75	104.25	185	2,395
Jul	105.00	-0.50	106.00	105.00	81	798
Sep	105.15	-0.35	105.50	105.50	34	248
Dec	105.85	-0.30	105.85	105.85	46	313
Total					7,811	25,122

■ COFFEE (ICO) (US cents/pound)

Oct 7		Prev. day
Comp. daily	98.69	97.07
15 day average	95.17	94.97

■ WHITE SUGAR LIFFE ($/tonne)

Dec	323.3	-2.2	324.7	323.3	1,319	10,447
Mar	320.2	-1.5	321.2	320.1	515	9,807
May	320.0	-1.1	322.0	320.2	-	3,880
Aug	321.8	-1.0	321.9	321.5	25	1,605
Oct	314.2	-0.7	314.7	313.9	32	924
Dec	316.3	-0.8	318.5	318.5	-	265
Total					1,891	27,238

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	10.82	-0.06	10.87	10.77	3,478	84,887
May	10.79	-0.01	10.82	10.72	1,047	24,501
Jul	10.65	-0.02	10.67	10.58	640	16,682
Oct	10.60	-0.02	10.62	10.53	581	10,703
Mar	10.54	-	10.56	10.50	328	3,360
May	10.51	+0.03	10.57	10.47	84	502
Total					6,132	140,858

■ COTTON NYCE (50,000lbs; cents/lbs)

Oct	75.30	-2.35	77.65	74.90	251	328
Dec	75.85	-1.80	77.45	75.50	4,875	31,958
Mar	75.98	-2.73	78.50	76.70	838	10,772
May	77.60	-1.60	79.10	77.50	145	6,428
Jul	78.15	-1.55	79.50	78.15	42	4,906
Oct	78.25	-0.90	78.00	78.00	31	1,017
Total					6,209	59,677

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Nov	115.90	+1.30	115.95	114.50	1,208	6,808
Jan	108.50	+1.30	109.00	107.50	602	6,187
Mar	110.00	+0.80	110.00	109.25	109	2,885
May	111.95	+0.75	111.95	111.00	1	873
Jul	114.00	+0.80	-	-	9	343
Sep	115.00	+0.80	-	-	-	234
Total					1,920	17,221

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are *one day in arrears*. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Oct 8	Oct 7	month ago	year ago
1884.9	1890.3	1938.2	2077.6

■ CRB Futures (Base: 1967=100)

Oct 7	Oct 4	month ago	year ago
247.81	245.97	-	-

■ GSCI Spot (Base: 1970=100)

Oct 7	Oct 4	month ago	year ago
211.39	208.75	202.44	178.44

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	72.025	-0.175	72.450	71.800	7,142	15,692
Dec	66.200	-0.2	66.725	66.125	6,728	38,786
Feb	64.275	-0.15	64.675	64.175	1,528	17,986
Apr	66.125	-0.1	66.400	66.000	997	8,804
Jun	63.825	-	64.050	63.700	398	4,125
Aug	63.550	-0.15	64.000	63.550	204	4,306
Total					17,638	91,068

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Oct	59.925	-0.9	60.300	59.200	2,218	4,952
Dec	57.975	+0.5	58.500	57.550	2,761	19,132
Feb	78.550	+0.475	79.175	78.150	735	7,091
Apr	73.950	+0.6	74.300	73.250	233	2,742
Jun	77.725	+0.65	77.900	77.250	123	2,964
Jul	74.850	-0.55	75.000	74.750	14	661
Total					6,099	38,317

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	78.875	+2.725	79.000	76.175	1,349	5,552
Mar	78.850	+2.575	78.900	76.250	88	889
May	80.450	+2.45	80.450	77.900	47	303
Jul	80.550	+2.05	80.800	78.500	14	166
Aug	77.800	+0.2	77.750	77.750	2	27
Total					1,498	6,937

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Nov	Feb	Nov	Feb
1300	45	91	15	29
1350	20	62	39	49
1400	7	40	76	77
■ COPPER (Grade A) LME	Nov	Feb	Nov	Feb
1900	90	131	34	91
1950	62	107	55	116
2000	40	86	83	144
■ COFFEE LIFFE	Nov	Jan	Nov	Jan
na	-	-	-	-
na	-	-	-	-
na	-	-	-	-
■ COCOA LIFFE	Dec	Mar	Dec	Mar
975	32	63	33	36
1000	22	50	48	48
1025	14	39	65	62
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
2350	-	-	13	94
2400	-	85	22	-
2450	24	68	45	-

LONDON SPOT MARKETS

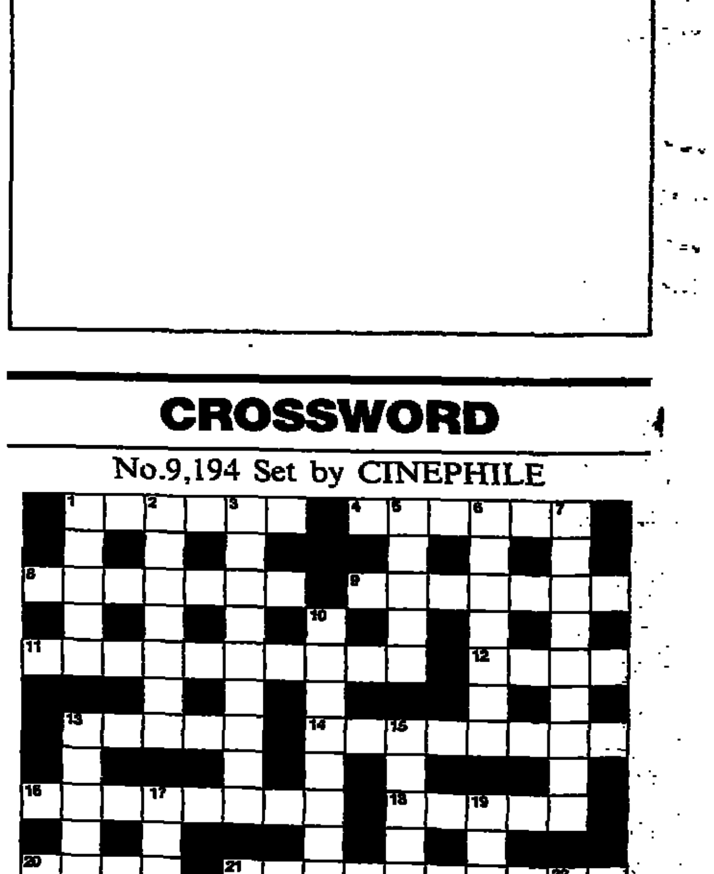
■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$22.06-2.11	+0.525
Brent Blend (dated)	$24.66-4.68	+0.485
Brent Blend (Nov)	$24.54-4.56	+0.465
W.T.I.	$25.48-5.52	+0.38
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$228-231	+8.5
Gas Oil	$248-250	
Heavy Fuel Oil	$119-121	+2
Naphtha	$225-227	+3
Jet fuel	$275-277	
Diesel	$265-270	+2
■ NATURAL GAS (Pence/therm)		
Bacton (Nov)	13.30-3.50	-0.05
Petroleum Argus. Tel. London (0171) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$381.00	+0.55
Silver (per troy oz)♣	489.50c	
Platinum (per troy oz.)	$385.00	+1.5
Palladium (per troy oz.)	$118.00	-1.5
Copper	99.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.87r	+0.01
Tin (New York)	279.50	-3.00
Cattle (live weight)	85.59p	+0.85*
Sheep (live weight)	114.65p	+0.07*
Pigs (live weight)†	104.51p	-2.02*
Lon. day sugar (raw)	$276.80	
Lon. day sugar (wte)	$331.00	-1.10
Barley (Eng. feed)	105.50	
Maize (US No3 Yellow)	128.00	
Wheat (US Dark North)	Unq	
Rubber (Nov)♥	83.25p	-2.00
Rubber (Dec)♥	83.25p	-2.00
Rubber (KL RSS No1)	309.0v	-1.5
Coconut Oil (Phil)§	$745.0z	-2.5
Palm Oil (Malay.)§	$555.0	+2.5
Copra (Phil)§	$503.0x	
Soyabeans (US)	216.0	-2.0
Cotton Outlook'A' index	75.75	
Wooltops (64s Super)	405p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Oct/Nov z Sep/Oct ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 4,739 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,194 Set by CINEPHILE



P has the same meaning in all clues except 4

ACROSS

1 P dweller gets encore at dance (6)
4 P in French writer at the university (6)
8 Court P where politician goes in covered (7)
9 Clear P (7)
11 Preceded, not lost, one moth back, with blood about (4,6)
12, 20 Cross Scots P (8)
13 Florentine P for William the elder statesman? (5)
14 Greek hero gets cold in backwater (8)
16 Apple P (8)
18 P dweller to help one go straight? (5)
20 See 12
21 P for P dweller after young thing returns with meat (10)
23 Meet her in St Louis with flowers? (7)
24 P for little beast on the move (7)
25 French P for two dioceses (6)
26 It's superficial to change direction without direction (6)

DOWN

1 Well done assassin! (5)
2 Changing panties is wise (7)
3 Zoo transformed by Church of England form of worship produces earth wax (9)
5 *Settle* for a language with no K (5)
6 H in computer language is related to spring festival (7)
7 Half a pint is of no importance (5,4)
10 Seeing, legally, as UFO's march is diverted (9)
13 Having lungs, mount and leap wildly (9)
15 Russian P with opening of museum in legacy of the past (9)
17 Assent to colleague as to how leaves may be attached? (7)
19 Clear as the Rock among French articles (7)
21 Party being wild (5)
22 Flower of a past era (5)

Solution 9,193

FT MANAGED FUNDS SERVICE

Offshore Funds

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

Odey European Gth Inc	DM158.60	—	—	
Odey European Gth Acc	DM158.19	—	—	
Odey European Gth Inc	586.51	—	—	
Odey European Gth Acc	598.76	—	—	

Old Mutual International Fd Mngrs Ltd (z)
9/11 Lower Mount Street, Dublin 2, Ireland 00 3531 6621555

OMI Galileo Euro Stkmkt	$1.371	+0.008	0.00
OMI Galileo Em Asia Eq	$0.858	-0.007	0.00
OMI Galileo Emer Mkt Bd	$1.196	-0.001	7.23
OMI Galileo Emer Mkt Eq	$1.061	-0.002	0.00
OMI Galileo Glbl Mgd	$1.380	—	0.00
OMI Galileo Glbl Spec Mkt	$1.355	-0.002	0.00
OMI Galileo Glbl Fixed Int	$1.057	-0.001	5.19
OMI Galileo Hong Kong Stkmkt	$1.079		0.00
OMI Galileo Sth African Eq	$0.887	+0.008	0.00
OMI Galileo US Dollar Bd	$0.959	+0.001	4.79
OMIFM UK Gilt Trust	£1.041	-0.002	5.82

Umbrella Fixed Inc	$12.70	13.09	—	0.00
Greater America Fund '92	$100.91		—	0.00
Pacific Emerging 94 A	$86.91		—	0.00
Pacific Emerging 94 B	$85.94		—	0.00
Latin America	$08.04		+0.02	0.00

Berkshire KITC Growth Fund Plc
NAV Sep 13 $7.12 — -

Berkshire Korea Fund Plc
NAV $4.88 — -

Blackstone Franks Managers Ireland Ltd
Blackstone Franks International Bond £10.15 10.58 +0.13 -

Bordier Invest (Ireland) Ltd
Invest Korea Fd NAV Oct 4 $57.28 — -

IRELAND (REGULATED)(**)

Prolific International Fund Plc
53 Fitzwilliam Square, Dublin 2

American F	255.6	+0.8	0.00
American F	$4.164	+0.004	0.00
Asia Pacific F	269.0	-1.4	0.00
Asia Pacific F	$4.203	-0.027	0.00
China Opportunities F	173.1	-0.6	0.00
China Opportunities F	$2.704	-0.013	0.00
European Growth F	307.8	+1.8	0.00
European Growth F	DM7.333	+0.037	0.00
Global Growth F	172.5	+0.8	0.00
Japan Growth F	152.2	-0.7	0.00
Japan Growth F	$2.378	-0.013	0.00
Sterling High Yield F	121.7	-0.2	5.24

Buchanan Asset Management (Ireland) Ltd

Japan Performance B	$8.7679	—	-
UK Performance	£10.5851	—	-

CFP Interest Rate Arbitrage Fund Plc
NAV $10.54 — 0.00

Celplus Fund
NAV $106.41 +0.40 -

Capital Vision Fund Plc
NAV $5.41 -0.46 -

Chase Manhattan see Chemical Ireland

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Grs
ABN AMRO Funds (u)						
4 Rue Jean Monnet, L-2180 Luxembourg 352 424949920						
Latin America Equity			$49.32	50.08	—	-
North America Equity			$78.82	79.21	—	-
Asian Tigers Equity			$80.69	81.30	—	-
Europe Equity			$72.11	72.47	—	-
Germany Equity			DM134.77	135.44	—	-
Japan Equity			$48.83	49.32	—	-
Europe Bond			$60.73	60.88	—	-
US Bond			$58.50	58.65	—	-
Global Bond			$60.62	60.77	—	-
Germany Bond B			DM108.55	108.82	—	-
Spain Bond			Pta9899	9924	—	-
Eastern Europe Equity F			DM181.3	185.92	—	-
China Equity F			$56.33	57.03	—	-
Switzerland Equity			SFr122.75	123.88	—	-
Abtrust Fund Mngrs Luxembourg SA (u)						
4 Boulevard Royal L 2449 Luxembourg 00 352 227001						
Abtrust Atlas Fund						
Global Cap Portfolio			$3.706		—	-
United States Portfolio			$5.300		+0.018	-
Contl Europe Portfolio		0	DM8.395		+0.033	-
Japan Portfolio			¥0.657		-0.003	-
Pacific Portfolio			$8.548xd		+0.005	-
Gold Portfolio			$6.239		-0.018	-
UK Growth of Income			£2.114		+0.005	3.61
Dollar Portfolio			$1.899xd		-0.001	7.03
Sterling Portfolio			£1.105xd		—	6.30
Astra Master Fund (u) (x)						
14 rue Aldringen, L-1118 Lux 00 352 479 98500						

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Grs
Fidelity Funds - Contd.						
Country Select Funds						
ASEAN			$20.24		-0.58	-
Asian Special Situations			$10.72		-0.12	-
Australia			A$16.70		+0.17	1.27
Emerging Markets			$8.438		-0.055	-
European Sm Cos F			DM13.31		-0.01	-
France			FFr94.80		-0.17	-
Germany			DM21.14		+0.09	-
Hong Kong			$48.37		+0.88	0.80
Iberia			Pta1833		+3	-
Indonesia			$10.39		+0.07	-
Italy			L14619		-116	-
Japan Smllr Cos			¥1072		-5	-
Korea F		0	$8.691		+0.064	-
Latin America			$8.894		-0.038	0.52
Malaysia			$34.55		+0.06	-
Nordic			SKr179.5		+0.2	-
Singapore			$24.14		-0.51	-
Switzerland			SFr15.05		+0.03	-
Thailand			$28.04		-2.09	-
United Kingdom			£7.125		-0.001	-
Bond Funds						
European			Ecu11.11		+0.01	6.05
International			$7.048		+0.003	5.54
US Dollar			$5.508		+0.012	6.00
Sterling			£0.256		+0.001	7.25
Yen			¥1850		+3	2.80
Balanced						
European Balanced			DM12.49		+0.03	1.92

Prices as at October 7

Fleming Group (u)
6 Route De Treves L-2633 Senningerberg Luxembourg
00 352 34101 or 0800 960 784
Internet: http://www.flemings.lu/

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

● MANAGED FUNDS NOTES

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

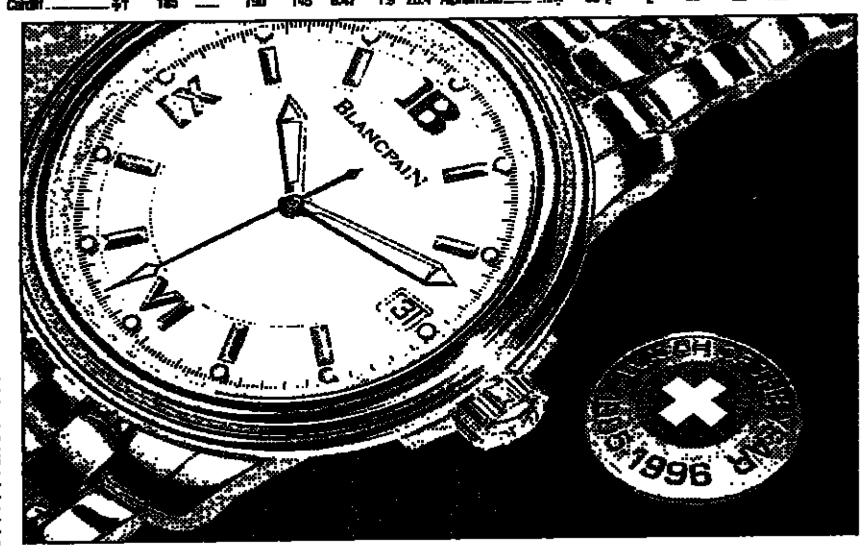
OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PAPER, PACKAGING & PRINTING - Cont.

PHARMACEUTICALS

PROPERTY



PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TELECOMMUNICATIONS - Cont.

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt CapCm	Yld Gr's	P/E
Anglo Am Ind	g	£22¾xd	[illegible]	*£34¼	£22¼	1,824	3.4	Φ
Barlow	♣†	55½	[illegible]	£10½	£5¾	1,284	2.0	–
Gold Flds Prop R		137	—	170	120	14.0	6.2	10.8
MK Props		80	—	98	60	2.41	15.0	–
SASOL	♥	645	—	718	475	3,777	1.7	–
SA Brews		£16½	—	£26¼	£16¼	4,859	2.1	Φ
Standard Bank	†	£27¼	—	£32¾	£22¼	3,254	1.4	23.6
Tiger Oats	†	780	—	1270	770	1,188	2.0	16.4
Tongaat-Hulett		790xd	—	1247	736	747.8	2.3	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formats.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other offical estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
i Indicated dividend yield, p/e ratio based on latest annual earnings.
n Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995-96.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT1303. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.
Company Focus (FT news) £8.45.
Focus Plus (FT and Investors Chronicle news) £10.95.
To order, call 0121 200 4678.
Reports published by ShareFinder Ltd.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.
An international service is available for callers outside the UK, annual subscription £250 stg.
Call 0171 873 4378 for more information on FT Cityline.
For readers phoning from outside UK, please dial +44 in place of the first 0.
The share prices printed on these pages are also available on the internet at http://www.FT.com.

LONDON STOCK EXCHANGE

FTSE hits closing high in spite of tax moves

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

London's equity market emerged slightly bruised, but ultimately unbowed, after a sudden attack on tax credits for share buy-backs and some special dividends by Mr Kenneth Clarke, the chancellor of the exchequer.

But although the FTSE 100 dropped back through 4,000 in a knee-jerk reaction, it later staged a resolute and sustained recovery, eventually moving back into positive ground – triumphantly ending the day at its third consecutive closing record.

The FTSE finished the day a net 4.1 up at 4,035.6. The second-line index, the FTSE 250, fared less well, closing a net 5.7 off at 4,435.3, although well above its lowest level, 4,421.2, reached early in the session.

Senior traders said London's recovery was a clear demonstration of the market's underlying strength. "It feels pretty good underneath and there is definitely an expectation of more takeover activity around the corner," said the head of market-making at one big European securities house.

Others dealers concurred. "The market is basically all right," said another. There was bad news from the dealing room at Merrill Lynch, however, where it emerged that the stockbroker's market-making team of 64 was being cut to 50, with some of the axed traders being moved to other areas. Talk of substantial job cuts at Merrill, which took over the former Smith New Court stockbroking firm last year, has been rife for many weeks.

There was further excitement in dealing rooms with news of a "dawn raid" on Blenheim, the exhibitions group. Eurotunnel was another big feature, the shares returning from suspension and initially moving higher before attracting waves of selling pressure.

But it was the chancellor's bolt from the blue on share buy-backs and special dividends that was the day's main talking point.

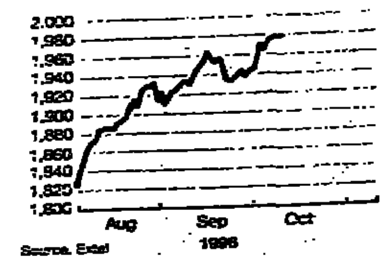
Mr Bob Semple, UK equity strategist at NatWest Securities, commenting on the changes, said: "The truth is less scary, the aim of the changes is not to stop payment of the tax credit on special dividends, but to stop the abuse of the system whereby, in certain circumstances, the benefits are targeted towards the gross funds."

As examples, he pointed to share buy-backs targeted towards gross funds rather than all investors and to the Inland Revenue not wanting to finance bids such as Granada/Forte and Lloyds TSB in which special dividend sweeteners were paid.

The NatWest strategist edged his year-end FTSE 100 forecast up to 3,900 and lifted his FTSE trading range to 3,700/4,100 to take account of the recent strength of UK gilts and US bonds. However, Mr Semple cautioned that gilts and equities "are moving into dangerous territory".

Turnover in equities reached 758.4, with that figure significantly boosted by a big agency cross in Lucas Varity, which accounted for 58m shares or 8 per cent of the overall market total. The value of retail business on Monday was £1.4bn.

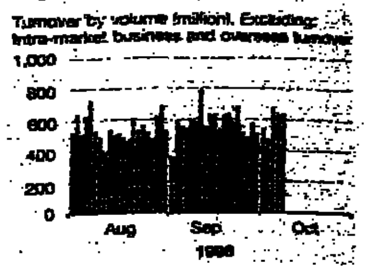
FTSE All-Share Index



Source: Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4035.6	+4.1	FT 30	2849.2	+0.
FTSE 250	4435.3	-5.7	FTSE Non-Fins p/e	18.27	18.2
FTSE 350	2006.1	+1.1	FTSE 100 Fut Dec	4075.0	+6.
FTSE All-Share	1978.82	+0.77	10 yr Gilt yield	7.40	7.4
FTSE All-Share yield	3.73	3.73	Long gilt/equity yld ratio	2.10	2.0

Best performing sectors

1 Gas Distribution .... +2.8
2 Textiles & Apparel .... +1.5
3 Oil: Integrated .... +1.0
4 Tobacco .... +0.9
5 Leisure & Hotels .... +0.9

Worst performing sectors

1 Water .... -1.
2 Banks: Merchant .... -0.
3 Engineering: Vehicles .... -0.
4 Electricity .... -0.
5 Pharmaceuticals .... -0.

Buy-back blow for Reuters

By Peter John and Lisa Wood

Reuters Holdings was the principal casualty yesterday of the government's surprise ban on share buy-backs.

With the news and financial information group's £513m return of cash to shareholders in jeopardy, and subsequently suspended, the shares tumbled sharply.

The announcement by the chancellor of the exchequer that pension funds would no longer be able to reclaim the 25 per cent advance corporation tax paid by companies on dividends sent Reuters shares down 26. The stock later fallen to close 20 off at 757p but was still the biggest faller in the Footsie.

The net hit to the overall stock market is expected to be £80m this year, nothing compared with the £3bn of shares already bought back by companies and the £4bn figure forecast for the end of the year. But the drain on liquidity is set to rise to £200m next year and to £400m in two years time.

While marketmakers took out most of their indignation on Reuters they also latched on to the banking and utilities sectors, both of which have been busy buyers of their own shares this year. Thames Water fell 12½ to 554p, PowerGen 9 to 480½p, Barclays – which spent £470m on its own shares this year – 7½ to 967p and NatWest 4½ to 707½p.

Safeway, which had intimated that it may have a second share buy-back, fell a penny to 439p after the chancellor's statement.

On the whole, however, the market took the news in its stride and scuttled around for potential beneficiaries. Tax specialist decided that one popular route for returning cash would be via foreign income dividends or fids. As a result BAT Industries, which earlier this year paid out its final 14.75p dividend as a fid, rose 5 to 428½p.

Blenheim raided

The drawn-out saga on the ownership of Blenheim took an unusual twist with a 500p a share dawn raid on the stock by NatWest Securities. The broker acquired 14.99 per cent of the exhibitions organiser on behalf of VNU, the Dutch publisher.

Blenheim, which climbed 28½ to 464p on trade of 17m, has been in play for many weeks. After the market closed, it announced it was in third-party talks with others. Suitors are understood to include United News & Media – which is believed to have unsuccessfully offered about 450p – and Reed Elsevier, the Anglo-Dutch publishing group.

VNU said it had "no current intention" to bid for Blenheim but analysts suggested that it had made a smart move and was in an excellent position to command a premium to the 500p should there be a keen bidder, with Reed seen as the most likely.

United News & Media rose 17 to 676½p with the market giving a sigh of relief because it feared the acquisition of Blenheim would not give an immediate return.

Pearson added 15 to 694p, with recent history suggesting the stock is a tactical buy at 650p and below and tends to be sold aggressively when it approaches 700p.

Standard Chartered lifted 7½ to 700½p as Panmure Gordon turned buyer on the stock.

HSBC improved 3 to 1254p with several traders attributing the gain to a change of view from SBC Warburg. Although Warburg declined to comment, it apparently raised its share price target on the ordinary shares by 150p to 1400p.

Consistent strength by Legal & General over the past year has left some insurance analysts nervous about their bullish recommendations. Yesterday, Cazenove was apparently sounding a note of caution in the wake of near 20 per cent outperformance against the FTSE All-Share index over the past 12 months. The shares dipped 3½ to 830p.

British Gas shares, affected by the company's spat with the official regulator, recovered 5½ to 186½p in the wake of a reiterated buy recommendation from SBC Warburg.

LucasVarity was London's most heavily traded stock as the company pension scheme sold its holding. The pension group sold 52.24m shares at 246½p a share to raise £130m. The stake was 6 per cent of the old Lucas equity base. The underlying shares fell 3½ to 247p.

The market's appetite for Shell Transport remained unsated as enthusiasm for the US alliance with Texaco saw the shares rise a further 24 to 1040p. SGST reiterated its enthusiasm for the stock in the wake of Monday's announcement.

United Biscuits climbed 13½ to 216½p with one analyst attributing this to what he described as a "dusty old" takeover rumour. Hillsdown advanced 7 to 188p after a stock squeeze.

Stores group Kingfisher, which had rallied on the back of speculation about it wanting to acquire Norweb's retail outlets, slipped 11½ to 640p with one marketmaker said to be long on stock.

Laura Ashley added 8 to 189½p after an announcement that it is to take direct control of its distribution operations following a review of its requirements.

Two big institutional buyers are moved in on Wardle Storeys, pushing the share price up 12½ to 462½.

A boost in full-year profits left St Ives, the printer, 14½ higher at 462½p.

Kwik Save, a volatile stock, rose 10 to 327½p.

Bulmer, which was adversely affected by a profit warning from its competitor, Matthew Clark, recovered 20 to 515p with one analyst suggesting the company was talking to analysts and giving a fairly upbeat assessment of its situation.

J D Wetherspoon rose 6½ to 1136½p as the market continued to be entranced by companies in the restaurant and pub sector.

British Biotech improved 4 to 202p. NatWest Securities has the stock on its buy list and expects positive clinical trial data soon.

Manchester United rose 3 to 453½p, reporting an increased annual profit before transfer fees of £16.7m.

The market welcomed Millennium & Copthorne's £81m acquisition of Inter-Continental's Britannia Hotel in London with Millennium rising 2½ to 318p.

EMI rallied to recoup recent losses prompted by a series of broker downgrades. The stock ended 24 higher at 1290½ with some talk of BZW turning positive. Rank Group added 8½ to 455p with the market short of stock.

Inspirations, badly hit last week because of maintenance problems to its aircraft, recovered 9 to 111½p. Another aircraft related stock, Cobham, fell 22½ to 606½p on the back of Monday's disappointing figures.

FT 30 INDEX

	Oct 8	Oct 7	Oct 4	Oct 3	Oct 2	Yr ago	*High	*Low
FT 30	2849.2	2848.4	2857.8	2853.8	2865.8	2553.5	2885.2	2668.8
Ord. div. yield	3.97	3.97	3.96	3.97	3.95	4.20	4.22	3.76
P/E ratio net	17.39	17.39	17.42	17.39	17.46	15.35	17.46	15.80
P/E ratio nil	17.23	17.23	17.26	17.22	17.30	15.17	17.30	15.71

FT 30 since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2843.0	2823.1	2833.6	2841.6	2841.2	2842.7	2845.4	2845.6	2850.0	2851.8	2819.8

	Oct 8	Oct 7	Oct 4	Oct 3	Oct 2	Yr ago
SEAQ bargains	43,580	49,159	43,913	45,373	44,742	33,214
Equity turnover (£m)†	-	1419.4	1944.3	1680.5	2087.0	1971.2
Equity bargains†	-	42,829	41,012	42,968	44,185	38,451
Shares traded (ml)†	-	481.2	638.4	633.4	678.4	737.8

†Excluding intra-market business and overseas turnover.

	Oct 8	Oct 7	Oct 4	Oct 3	Oct 2	Yr ago	*High	*Low
FTSE AIM	1004.50	1002.10	998.70	1002.70	1007.20	-	1140.40	965.70

© FTSE International Limited 1996. All rights reserved. *For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	454	Total Highs	150	Total contracts	42,820
Total Falls	664	Total Lows	66	Calls	26,024
Same	1,508			Puts	16,796

Oct 8 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int
Dec	4062.0	4077.0	+8.0	4079.0	4022.0	15933	61554
Mar	4076.0	4089.0	+7.0	4076.0	4075.0	20	374
Jun	4090.0	4101.0	+8.8	4097.0	4090.0	26	300

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int
Dec		4459.0	-6.0			0	3571

FTSE 100 INDEX OPTION (LIFFE) (*4037) £10 per full index point

	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P	4000 C	4000 P	4050 C	4050 P	4100 C	4100 P	4150 C	4150 P
Oct	257	1	207	1½	157	2½	108	4½	63	10½	27	26	7	62½	1	112½
Nov	265½	4½	220½	8	175	12½	132	19½	94	31½	61½	50	35	76½	18	114
Dec	293	15½	248½	21	206	28	166	39	128	53	95	72	68	97	44½	126½
Jan	300½	25½	257½	32	218	43	180½	54	147	71	115	89½	89½	114½	65	142
Jun†	359½	73½			291½	103			228½	173½			177	185		

Calls 9,568 Puts 5,151

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P	3975 C	3975 P	4025 C	4025 P	4075 C	4075 P	4125 C	4125 P	4175 C	4175 P
Oct	228½	1	179	2	131	3½	85	7	44	16	15½	37½	3	74½	1	122
Nov	263½	6	197	10	153	14½	112	23½	75½	37	46½	57½	26½	86½	12½	123
Dec	266	17	222½	23½	181	31	143	42½	109	58	79½	77½	55	102	35½	131½
Mar	307½	50½			233	73			166	103½			112	147		
Jun†	347½	83			278	109½			218	143			161½	184½		

Calls 5,108 Puts 6,881 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	263.2	337½	314½	AEA Technology	335½		L7.5	3.3	2.8	13.6
§	F.P.	33.9	85½	72½	†Airtech	74½		-	-	-	-
§100	F.P.	-	103	95	Amer Opps Ln 03/06	95		-	-	-	-
§	F.P.	125.1	179½	165½	Brunner Mond	170½		W8.45	2.0	6.2	10.1
-	F.P.	29.5	90½	81½	Cruden Bay	85		-	-	-	-
150	F.P.	30.8	169½	167½	Deltron Electm	167½	-1	W2.75	2.9	2.1	15.6
§146	F.P.	41.5	246	148	†Elec Retail Sys	197½		-	-	-	-
§	F.P.	11.7	316	315	†Eurasia Mining	315		-	-	-	-
§	F.P.	208.5	£42½	£25½	GT Chile Growth	£26½		-	-	-	-
§125	F.P.	1.63	15¼	13¼	†Grosvenor Land	15¼		-	-	-	-
§	F.P.	-	127	111½	Harlstone 8%	120½		-	-	-	-
-	F.P.	2,146	429	391	Imperial Tobacco	412	-2	W20.0	2.5	6.1	8.3
§	F.P.	58.2	177	172	Intercede Telecom	174½		-	-	-	-
§10	F.P.	4.23	11¼	11¼	†Mears Group	11¼		N0.2	-	2.1	-
-	F.P.	1,053	£16½	£14½	Millennium Chem	£14½		Q50c	-	2.7	-
§154	F.P.	20.0	211½	187½	Oriental Rest	209½	-1	15.3	0.5	9.1	23.7
66	F.P.	13.1	105	83	†Personal No Co	84½	-1	-	-	-	-
§65	F.P.	11.9	70½	67½	†Peptide	69½		-	-	-	-
-	F.P.	8.61	137½	132½	Shellbarre	137½		R4.0	2.1	3.6	11.3
§250	F.P.	193.2	290½	282½	Ultra Elctn	290½		RW6.5	2.3	2.8	19.7
§	F.P.	9.54	7¼	6¼	†Weeks Group	7¼		0.09	4.8	1.6	16.7

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Oct 8	% chg on day	Oct 4	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1887.84	+0.2	1895.00	1983.07	1.81	-	2529.73	1722.93
Regional indices								
Africa (13)	2590.52	-0.9	2532.98	2687.31	3.18	33.46	3353.86	2272.74
Australasia (6)	2095.63	+0.1	2093.24	2362.12	2.64	28.59	2827.34	2006.75
North America (12)	1702.15	+0.6	1692.44	1694.69	0.76	64.48	2185.39	1488.84

Copyright, The Financial Times Limited 1996. "FT Gold Mines Index" is a trademark, of The Financial Times Limited. Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Oct 8	Day's chge%	Oct 7	Oct 4	Oct 3	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4035.6	+0.1	4031.5	4024.8	4000.0	3460.1	3.88	2.05	15.76	147.87	1677.44
FTSE 250	4435.3	-0.1	4441.0	4437.9	4431.0	3803.2	3.45	1.95	18.48	151.95	1805.66
FTSE 250 ex IT	4458.6	-0.1	4471.4	4469.4	4462.2	3828.2	3.54	1.98	22.41	159.92	1822.43
FTSE 350	2006.1	+0.1	2005.0	2002.1	1991.8	1730.1	3.78	1.98	16.65	72.53	1703.50
FTSE 350 Higher Yield	1905.5	+0.2	1905.8	1903.6	1886.4	1722.0	4.07	1.83	13.44	93.84	1365.63
FTSE 350 Lower Yield	2110.9		2111.6	2107.8	2092.4	1742.9	2.63	2.15	22.13	51.75	1474.85
FTSE SmallCap	2177.22	-0.1	2180.15	2178.58	2176.42	1960.08	3.12	1.57	25.48	57.55	1807.94
FTSE SmallCap ex IT	2166.87	-0.1	2172.52	2171.48	2168.37	1948.17	3.33	1.64	22.87	61.11	1814.69
FTSE All-Share	1978.82		1978.05	1975.27	1965.75	1711.85	3.73	1.93	17.39	70.10	1705.87

FTSE Actuaries Industry Sectors

	Oct 8	Day's chge%	Oct 7	Oct 4	Oct 3	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3899.07	+0.8	3866.32	3918.09	3878.29	2683.22	3.48	1.63	22.12	128.01	1745.90
12 Extractive Industries(6)	4224.53	-0.3	4237.04	4242.80	4241.66	4098.09	3.84	2.66	12.23	161.60	1259.00
15 Oil, Integrated(3)	4149.50	+1.0	4105.79	4242.29	3894.53	2868.11	3.60	1.45	23.86	135.18	1859.55
16 Oil Exploration & Prod(15)	2978.49	+0.5	2961.40	2982.84	2933.93	1870.65	1.78	1.67	42.07	32.04	1803.55
20 GEN INDUSTRIALS(278)	2102.44	-0.1	2104.79	2110.80	2108.46	1953.38	4.05	1.74	17.72	71.82	1186.32
21 Building & Construction(34)	1212.82	+0.4	1207.90	1203.65	1203.66	912.65	3.48	1.49	24.15	36.88	1031.16
22 Building Matls & Merchs(29)	1998.05	-0.1	1995.85	2002.00	1992.17	1691.75	3.85	1.53	21.24	62.79	1024.54
23 Chemicals(25)	2522.47	+0.1	2520.36	2531.44	2535.87	2425.25	4.02	1.52	20.40	65.56	1215.60
24 Diversified Industrials(19)	1542.92	-0.1	1544.96	1557.14	1554.24	1741.25	6.58	1.62	11.73	87.44	886.39
25 Electronic & Elect Equip(37)	2395.30	-0.2	2399.00	2393.75	2397.47	2150.33	3.29	1.46	26.04	61.10	1261.58
26 Engineering(71)	2652.82	-0.3	2661.27	2668.77	2661.67	2156.22	3.07	2.46	16.57	64.45	1630.29
27 Engineering, Vehicles(14)	3234.68	-0.8	3261.53	3269.62	3279.39	2923.37	3.33	1.71	21.92	99.64	1706.15
28 Paper, Pckg & Printing(26)	2653.20	-0.2	2657.97	2673.45	2679.64	2650.95	3.93	1.82	17.47	84.65	1123.13
29 Textiles & Apparel(19)	1192.34	+1.5	1175.10	1172.26	1180.90	1583.34	5.98	1.18	17.75	50.38	740.95
30 CONSUMER GOODS(92)	3805.71	.....	3804.06	3810.34	3781.92	3388.09	3.76	1.85	17.09	126.40	1431.27
32 Alcoholic Beverages(6)	2782.42	+0.6	2745.58	2768.44	2758.78	2862.27	4.60	1.63	16.70	104.05	1014.56
33 Food Producers(25)	2623.40	+0.6	2607.46	2597.35	2587.08	2495.78	4.01	1.86	16.74	83.19	1202.48
34 Household Goods(15)	2740.72	-0.1	2744.38	2744.67	2713.93	2546.34	3.71	2.26	14.92	70.66	1057.32
36 Health Care(18)	2078.58	+0.3	2071.41	2053.59	2053.90	2014.39	2.85	1.94	22.59	43.09	1274.83
37 Pharmaceuticals(14)	5964.59	-0.5	5996.96	6000.87	5933.99	4439.60	2.82	2.05	21.60	162.93	2057.67
38 Tobacco(2)	3672.40	+0.9	3637.99	3681.05	3667.53	4514.98	7.06	2.11	8.40	262.07	945.70
40 SERVICES(255)	2597.71	+0.1	2595.65	2591.64	2579.61	2132.90	2.86	1.96	22.28	70.43	1369.78
41 Distributors(30)	2824.51	-0.2	2830.85	2839.10	2840.32	2694.25	3.00	2.01	20.74	73.30	1055.29
42 Leisure & Hotels(25)	3194.03	+0.9	3165.09	3179.19	3168.92	2424.36	2.73	2.03	22.52	172.11	1736.43
43 Media(45)	4442.77	.....	4442.55	4417.62	4391.34	3288.83	2.06	2.05	29.71	90.89	1625.77
44 Retailers, Food(15)	1971.08	+0.5	1961.45	1953.86	1946.89	2099.72	3.98	2.35	13.35	83.49	1274.44
45 Retailers, General(45)	2132.56	+0.1	2129.90	2129.98	2125.45	1753.52	3.01	2.08	20.00	55.80	1235.28
47 Breweries, Pubs & Rest.(22)	3097.03	-0.2	3101.82	3108.35	3108.18	2808.14	3.34	1.97	19.03	68.29	1501.74
48 Support Services(50)	2567.22	-0.2	2571.65	2569.80	2564.01	1827.02	1.92	2.25	28.94	43.54	1645.86
49 Transport(23)	2599.54	-0.4	2608.77	2601.41	2559.82	2141.44	3.64	1.12	30.72	82.14	1104.48
60 UTILITIES(33)	2266.48	-0.4	2274.51	2289.44	2290.80	2495.92	5.58	1.80	12.46	158.76	1009.30
62 Electricity(12)	2366.74	-0.8	2385.86	2389.72	2375.24	2723.00	6.44	2.40	8.10	429.17	1281.57
64 Gas Distribution(2)	1265.53	+2.8	1231.19	1271.20	1303.46	1659.62	9.47	0.83	15.84	68.51	664.74
66 Telecommunications(8)	1925.17	-0.5	1934.74	1946.31	1947.06	2076.92	4.19	1.53	19.50	50.32	894.21
68 Water(11)	2178.53	-1.1	2202.37	2203.92	2195.23	2129.88	6.31	2.31	8.57	94.85	1232.10
69 NON-FINANCIALS(670)	2076.77	+0.1	2075.27	2074.75	2065.36	1826.21	3.73	1.83	18.27	74.46	1607.02
70 FINANCIALS(104)	3280.13	.....	3281.71	3261.28	3237.38	2613.24	4.04	2.38	12.99	120.83	1443.02
71 Banks, Retail(8)	4720.08	.....	4717.77	4685.83	4648.90	3627.59	3.85	2.71	11.97	174.00	1577.28
72 Banks, Merchant(5)	3804.87	-0.9	3841.24	3813.07	3754.78	3516.50	2.74	2.85	15.99	91.01	1223.31
73 Insurance(21)	1519.60	+0.1	1517.96	1514.00	1507.65	1289.54	5.52	2.28	9.94	71.33	1170.26
74 Life Assurance(6)	3806.58	-0.1	3810.80	3768.46	3709.28	3001.16	4.08	1.94	15.82	151.01	1618.42
77 Other Financial(20)	2677.51	-0.3	2684.83	2673.08	2675.39	2336.31	3.89	1.77	17.74	86.83	1551.92
79 Property(41)	1668.61	-0.4	1673.49	1669.18	1666.97	1411.93	3.85	1.26	25.78	47.10	1042.27
80 INVESTMENT TRUSTS(127)	3229.95	-0.3	3238.16	3230.22	3234.67	2894.09	2.21	1.12	50.79	57.94	1138.45
89 FTSE All-Share(901)	1978.82	.....	1978.05	1975.27	1965.75	1711.85	3.73	1.93	17.39	70.10	1705.87
FTSE Fledgling	1238.01	-0.1	1239.57	1239.57	1238.55	1068.09	2.80	0.68	66.02	28.50	1309.41
FTSE Fledgling ex IT	1248.06	-0.1	1249.72	1249.64	1249.32	1065.84	3.01	0.60	69.13	31.26	1321.79

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4023.3	3998.3	4014.4	4026.8	4023.8	4024.7	4030.5	4031.0	4037.4	4037.9	3995.3
FTSE 250	4440.1	4421.5	4422.8	4428.8	4428.7	4429.0	4429.5	4431.3	4434.9	4442.0	4421.2
FTSE 350	2001.7	1990.2	1996.5	2002.0	2000.8	2001.2	2003.5	2003.9	2006.7	2007.0	1989.2

Time of FTSE 100 Day's high: 4:11 PM Day's low: 8:56 AM. FTSE 100 1996 High: 4035.6 (08/10/96) Low: 3632.3 (15/07/96).

FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1179.9	1177.0	1176.6	1178.0	1177.7	1177.3	1177.3	1178.8	1182.9	1185.0	1180.4	+4.6
Pharmaceuticls	5888.5	5873.2	5889.5	5901.8	5891.1	5895.6	5901.6	5892.7	5899.9	5895.2	5927.1	-31.9
Water	2187.8	2118.7	2142.8	2165.0	2159.5	2159.5	2159.5	2158.3	2164.4	2164.4	2188.8	-24.4
Banks, Retail	4767.0	4715.5	4746.7	4759.7	4754.6	4755.9	4771.5	4769.5	4788.1	4780.3	4778.0	+2.3

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FTSE International Limited 1996. All Rights reserved. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. Auditor: The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETION: British Data Management (Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	544	487	+½
ASDA Group†	6,600	107¼	+1½
Abbey National†	2,900	610	-5
Albert Fisher	2,700	39½	-¼
Allied Domecq†	1,200	444	+½
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. Trades of 1 million or more are rounded. Source: Extel, part of FT Information.

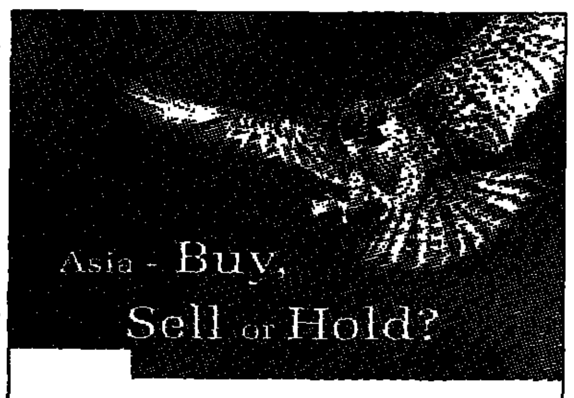
Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

POLAND (Oct 8 / Zloty)

		+/-	High	Low	Yld	P/E
Elktrm	27.80	+.30	*28	8.35	0.6	—
ExDud	35.20	—	*40.75	22.20	—	—
Mstal	14.90	+.10	*14.80	6.40	—	—
Wedel	165	+1	*164	82	0.7	—
Wiczak	18.90	+.20	*25	17.80	1.6	—
Zywiec	157	-2	*235	140	1.3	—



PORTUGAL (Oct 8 / Escudo)

		+/-	High	Low	Yld	P/E
BCD Pl	1,808	-8	2,300	1,401	5.5	—
BCPort	1,870	-7	2,250	1,875	3.2	—
BESant	2,596	...	2,600	2,090	4.4	—
BancTA	2,760	+10	3,120	2,312	6.9	—
ModCnt	4,690	+89	4,800	3,430	1.3	—
PTelcm	4,080	-18	4,180	2,705	2.2	—
SonInv	4,570	-30	4,600	3,075	3.3	—
Unicer	2,920	-7	3,000	2,260	3.6	—

PACIFIC

AFRICA

NORTH AMERICA

CANADA

TORONTO (Oct 8 / Can $)

4 pm close

INDICES

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x index)							
Oct	2160.0	2169.5	+11.0	2170.0	2148.0	11,582	29,579
Dec	2159.0	2178.5	+11.0	2179.5	2155.5	1,464	16,342
DAX							
Mar	2713.0	2720.5	-0.6	2722.0	2705.0	15,929	—
Dec	2729.5	2739.0	-0.5	2739.5	2724.0	143	—
OMX							
Sep	1684.00	1689.00	+20.00	1690.00	1658.00	4,721	25,362
Oct	1673.00	1694.00	+18.00	1694.00	1673.00	90	1,964
SOFFEX							
Sep	3738.5	4425.0	+740.0	3737.0	3679.0	500	1,307
Oct	3741.0	3688.0	-39.7	3741.0	3689.0	3,352	9,841

Base values of all indices are 100 except Australia All Ordinary and ... Oct 5 : Taiwan Weighted Price 6544.68; Korea Comp Ex 777.31. Base values of all indices are 100 except: Australia All Ordinary and ... Euro Top-100, ISEQ Overall; Toronto Comp./Metals & ... HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100 ... – 500; Austria Traded, BEL20 ... NYSE All Common – 50 and Standard and Poor's – 10. $$ ... and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; ... IBIS/DAX after-hours index: Oct 8 – 2702.60 -2.61 ... ♦ Toronto. (c) Closed. (u) Unavailable.

US INDICES

Dow Jones	Oct 7	Oct 4	Oct 3	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5979.81	5992.86	5932.85	5992.86 (4/10)	5032.94 (10/1)	5992.86 (4/10/96)	41.22 (8/7/32)
Home Bonds	102.55	102.76	102.41	106.09 (14/2)	100.99 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2085.30	2102.14	2079.88	2296.20 (22/5)	1882.71 (18/1)	2296.20 (22/5/96)	13.23 (8/7/32)
Utilities	222.19	221.91	218.84	234.00 (12/2)	204.86 (30/7)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6025.28 (6023.78) Low 5945.15 (5817.20) (Theoretical♦)
Day's high 6002.17 (5995.09) Low 5970.50 (5934.72) (Actual♦)

Standard and Poors	Oct 7	Oct 4	Oct 3	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	703.34	701.46	692.78	703.34 (7/10)	598.48 (10/1)	703.34 (7/10/96)	4.40 (1/6/32)
Industrials¥	830.89	827.80	818.45	830.89 (7/10)	702.07 (15/1)	830.89 (7/10/96)	3.52 (30/6/32)
Financial	74.82	74.86	73.48	74.86 (4/10)	58.67 (10/1)	74.86 (4/10/96)	7.13 (4/9/74)
NYSE Comp.	374.74	374.16	370.14	374.74 (7/10)	321.41 (10/1)	374.74 (7/10/96)	4.64 (25/4/42)
Amex Mkt Val	582.22	579.89	572.60	614.99 (22/5)	525.60 (16/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1250.78	1247.56	1233.09	1250.78 (7/10)	988.57 (15/1)	1250.78 (7/10/96)	54.87 (3/10/74)

■ RATIOS

	Oct 4	Sep 27	Sep 20	Year ago
Dow Jones Ind. Div. Yield	2.15	2.17	2.16	2.43
	Oct 2	Sep 25	Sep 18	Year ago
S & P Ind. Div. yield	1.95	1.97	1.98	2.07
S & P Ind. P/E ratio	22.74	22.54	22.41	17.94

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Hanson	5,338,500	7⅛	—
Micron Tech	4,177,500	31⅛	+1½
Bay Network	3,842,500	24⅜	-1⅜
Hewlett-Pck	3,740,100	45⅝	+2
Raytheon	3,716,800	46¼	-2¾
Motorola	3,414,000	49¼	+1
Gap	3,285,900	28¼	-1
Lucent Tech	3,117,400	44⅛	+¾
Pepsico	2,975,700	28⅞	-½
Glimcher Rl	2,834,100	18⅝	—

■ TRADING ACTIVITY

● Volume (million)	Oct 7	Oct 4	Oct 3
New York SE	383.739	467.257	387.534
Amex	29.760	21.900	18.755
NASDAQ	490.344	574.825	586.700
NYSE			
Issues Traded	3,232	3,231	3,238
Rises	1,130	1,795	1,110
Falls	1,215	700	1,237
Unchanged	887	736	891
New Highs	234	297	175
New Lows	29	27	21

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	707.90	708.15	-0.05	708.10	706.60	57,705	180,768
Mar	713.10	714.00	-0.40	714.15	714.00	487	4,517

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	21060.0	21030.0	-170.0	21270.0	21000.0	21,892	198,858
Mar	21230.0	21230.0	+50.0	21230.0	21230.0	1	10,225

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

♣ FT Free Annual Reports Service

You can obtain the current annual reports of any companies on this page with a ♣ symbol. For North American companies you can either ring +1 804 320 8097, or fax your request to +1 804 320 8135 or order online at http://www.icbinc.com/cgi-bin/financialtimes. For companies from ALL other countries ring 0181 770 0770 or fax your request to 0181 770 3822 (outside UK ring +44 181 770 0770 or fax your request to +44 181 770 3822).

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, October 8, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	3.0m	339	-2	Fujitsu	2.0m	1,050	+20
Sumitomo Seika	2.4m	809	-11	Nissan Motor	2.0m	874	-1
Bk Tk-Mitsubishi	2.3m	2,340	-20	Miyakoshi	2.0m	890	-30
Ga-Jo-En Kanko	2.0m	111	-5	NEC	1.9m	1,260	+10
Toyota Motor	2.0m	2,680	-60	NKK	1.7m	286	+1

NEW YORK STOCK EXCHANGE PRICES

4 pm close October 8

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24½	17¾	AAR	0.48	2.0	21	561	u24½	24⅛	24⅛	-⅛
46⅞	36⅛	AMP	1.00	2.5	18	3386	39⅞	39½	39½	
97½	68	AMR			16	9585	83¾	81¼	83	+½
50½	37⅜	ASA	2.00	5.1	25	239	39⅜	38⅞	39	-⅛
51⅛	38⅛	AbbtL	0.96	1.9	22	13425	u51⅛	49⅞	50¾	+⅜
17¾	12¼	AbitibI Pr	0.40	3.0	6	1115	13⅜	13¼	13¼	+⅛
20¼	13½	ABM Ind	0.35	2.1	17	122	17	16⅞	17	+⅛
19⅛	13⅞	Acptmcelo			39	174	u19⅛	18⅞	19⅛	+⅛
57¼	37¾	ACE Ltd	0.56	1.0	13	1415	u57¼	55⅞	56¼	-1
10⅛	9⅛	ACM Gvt In x	0.48	4.8	8	74	10	9⅞	10	
7⅞	6⅝	ACM GvOpp x	0.57	8.1		183	7⅛	6⅞	7	-⅛
9⅝	8⅜	ACM Man x	0.90	9.5		276	u9⅝	9½	9½	-⅛
13⅞	6⅛	Acme Elect	0.32	4.5	118	29	7¼	7⅛	7⅛	
17¾	13⅞	Acme Mlts			11	35	u17¾	17⅝	17⅝	
33¾	27¾	Acordia	0.72	2.4	17	z100	30⅜	30⅜	30⅜	-⅛
21⅞	12	Acuson			85	787	17⅜	17⅛	17⅛	
20⅜	17⅞	Adams Expr	0.48	2.4	1	92	u20⅜	20¼	20⅜	+⅛
21¼	10¼	AdvMic			10	19353	16⅞	15⅞	16	+1⅛
11⅛	8½	Advest Grp	0.16	1.6	7	79	10⅛	10	10⅛	+⅛
26⅛	9⅛	Advo Inc	0.10	0.8	537	119	12⅞	12¾	12¾	
51½	41⅛	Aegon	1.45	2.8	15	19	51¼	50⅞	51⅛	+⅜
6¾	3½	Aerflx			3	85	4⅝	4½	4½	-⅛
70⅞	57⅝	Aetna	0.80	1.2	7	3831	69⅝	68¾	69	-⅝
38½	28¼	Aflac	0.40	1.1	16	1445	38¼	37½	37⅝	-¾
21⅛	17⅛	AGL Res	1.08	5.3	16	489	20½	20⅛	20⅛	-⅛

Continued on next page

NYSE PRICES

4 pm close October 8

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
27⅞	19⅝	Schwab(C)	0.20	0.8	20	4238	24⅞	23⅞	23⅞	-1
33⅝	22¼	SchwMaud	0.60	1.8	15	386	33¼	32⅝	32⅝	-½
20⅜	12	SciAtl	0.06	0.3	21	4760	17¾	17¼	17⅜	+⅛
24	17	Scotsman x	0.10	0.4	12	20	23⅛	22⅞	22⅞	-⅜
47½	38⅛	Scripps	0.52	1.1	26	704	45⅞	45¼	45⅜	-½
16⅞	12⅞	ScuddrNAsF	0.02	0.2		392	13⅜	13⅛	13¼	
14⅛	11	ScuddrNEuF	0.16	1.2		937	d14⅛	13⅞	13⅞	-⅛
20½	16	SeaCnB	0.17	0.9	28	2108	18⅝	18⅜	18⅝	
16	15	SeaC1.4625	1.46	9.4		5	15½	15½	15½	
67⅞	30⅛	Sgate			29	25577	63½	61⅜	61¾	+⅝
39⅝	30⅞	Seagram	0.60	1.7	24	2210	36¼	35⅞	36	-¼
28	17⅛	Seagul En	1.20	5.5	14	5940	22⅛	21⅜	21¾	
39⅛	26	Sealed Air	0.64	1.7	28	703	38⅞	38½	38¾	
53⅞	38¼	SearsR	0.92	1.9	17	9166	48¾	47¾	48½	+½
22⅝	18⅛	ScCpS6.8%	1.24	5.5	20	368	u22⅝	22½	22⅝	+¼
13	11⅞	Seligm Sel	0.84	6.7		115	12½	12⅜	12½	+⅛
23¾	13⅝	Sensormat	0.22	1.3	13	692	17⅝	17¼	17⅜	-⅛
45½	29½	SequaA	0.60	1.4	69	99	43⅝	42⅜	42⅝	-1¼
63⅞	39	SequaB	0.50	0.9	61	8	59⅛	52⅞	52⅞	
31¾	19½	ServCp	0.24	0.8	29	1832	30¼	29⅝	30⅛	-⅛
25¾	19½	SvMstr	0.65	2.7	16	209	25⅞	25⅛	25⅛	-¼
6¼	4½	ServMerch			10	1592	4⅝	d4½	4⅝	
50⅛	28½	SGSThm			9	2897	48⅝	45⅝	47¾	+1⅞
15⅝	10⅝	Shaw Ind	0.30	2.4	31	1914	12¾	12	12¾	+⅜
13½	10⅛	ShelbyWil	0.32	2.4	15	115	13⅜	12¾	13⅛	+⅛
98¼	76⅝	ShellTr x	3.26	3.3	20	322	u98¼	97¾	97⅞	+1¾

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
- X - Y - Z -										
59¼	39⅜	Xerox	1.16	2.1	49	8960	58⅞	56¼	56⅜	
47⅞	39¾	Xtra Corp	0.72	1.7	16	19	42⅞	42½	42⅞	+⅛
25¾	20⅞	Yankee Egy	1.30	5.5	12	172	23½	23⅛	23½	+⅛
53¾	43⅞	York Int	0.36	0.7	22	461	48½	48	48⅜	+⅛
3⅞	3	Zapata	0.14	4.0	9	142	3⅝	3½	3½	
25¾	5⅞	ZnithEl			11	10329	16⅝	15½	16⅛	+¼
28⅞	21¼	Zenith Nat	1.00	3.7	38	207	27⅝	27⅜	27⅜	-⅜
7⅛	6½	Zenix Inc	0.72	10.1		39	d7⅛	7	7⅛	
22⅞	15⅛	Zero	0.12	0.6	17	53	20½	20	20⅜	-⅛
23¾	18½	Zurn Ind	0.40	1.8	19	123	22⅝	22½	22⅝	+⅛
11⅜	10½	Zweig Fund	1.08	9.7		382	11¼	11⅛	11⅛	-⅛
9	8¼	Zweig Tot	0.84	9.9		506	8½	8⅜	8½	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

♣ FT Free Annual Reports Service

You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring (International Access) 1-804-320-8097 or give the names of the companies whose reports you want and fax your request to (International Access) 1-804-320-8135. Reports will be sent the next working day, subject to availability. You can also order online at http://www.icbinc.com/cgi-bin/financialtimes.

AMEX PRICES

4 pm close October 8

NASDAQ NATIONAL MARKET

4 pm close October 8

★ FINANCIAL TIMES Wednesday October 9 1996

Dow makes brief foray above 6,000

AMERICAS

Blue-chip shares in the Dow Jones Industrial Average spent about half an hour above the 6,000 point level at mid-morning before falling off their highs, *writes Lisa Bransten in New York.*

On Monday, shares also showed hesitation about crossing 6,000 points, rising only momentarily past that level in morning trading before closing lower.

Shares were generally flat yesterday as there was little important economic news and very few companies reporting third quarter earnings.

Market activity was expected to pick up next week as the trickle of companies reporting earnings turn into a stream.

By 1pm, the Dow was 10.44 stronger at 5,990.25 and the Standard & Poor's 500 was 0.18 higher at 703.56. The American Stock Exchange composite, however, shed 1.39 at 580.83. Volume on the New York Stock Exchange came to 263m shares.

The technology-rich Nasdaq composite, which rose to a record high on Monday, was lower at midsession in spite of gains among semiconductor companies.

The Nasdaq lost 3.21 at 1,247.66 while the Pacific Stock Exchange technology index, which contains both Nasdaq and NYSE-traded shares, rose 0.3 per cent.

A better than expected earnings report from Advanced Micro Devices late on Monday sparked the rise among chip companies. Shares in the company added $1¼ or 8 per cent at $16 after AMD reported a loss of 28 cents a share, rather than the 37 cents per share loss that analysts had expected.

Other *rising semiconductor* companies included LSI Logic up $1¼ at $24¼, Texas Instruments $1¼ stronger at $55¾, and Micron Technology, which added $1 at $32¾.

Motorola, the semiconductor and mobile communications company, however, slipped $¾ at $48¾ after reporting earnings a cent a share below analysts' expectations. Last month, Motorola shares fell sharply after the company warned about weak earnings.

Elsewhere, American Brands jumped $3¾ or 8 per cent at $48¾ after announcing it would spin off Gallaher, its UK tobacco business, to shareholders.

International Paper, which is a component of the Dow, added $¾ at $43 after reporting third quarter earnings of 37 cents a share, 4 cents ahead of the median forecast from analysts.

TORONTO continued to climb into new all-time high ground with the 300 composite index showing a gain of 12.02 to 5,453.54 at the end of *the morning session.*

Golds were the strongest performer among the index's 14 sub-sectors, rising just short of a percentage point. Property shares stayed backmarker, dipping 0.37 per cent.

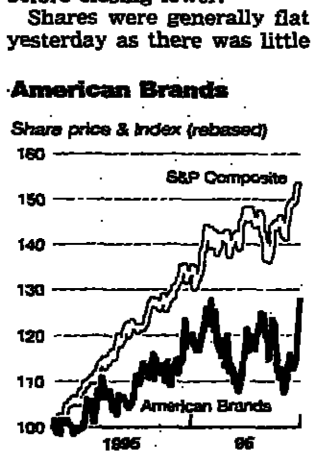
Among individual blue-chips, Alcan and Seagram were trailing by 10 cents at C$41.80 and C$49.70 respectively.

Northern Telecom dipped 30 cents to C$83.60.

The banks were mixed with Royal Bank of Canada off 10 cents at C$41.20 and Toronto Dominion Bank gaining five cents to C$30.

American Brands

Share price & index (rebased)



Source: Datastream

Eurotunnel returns as six reach new highs

EUROPE

Six bourses added to the recent string of all-time highs, early strength in the Dow bringing *in the Dutch* and Swiss relatively late in the European day. They joined the Turks, and the Nordic triumvirate of Sweden, Denmark and Norway.

PARIS put on steam in the final hour of trading to extend the high for the year on the CAC 40 index to 2,161.54, up 9.9.

Eurotunnel made a dramatic return. Volume in the stock, which was suspended last week ahead of a debt refinancing deal, surged to 20.2m shares.

Against a suspension price of FFr9.15, shares in the Channel tunnel operator restarted at FFr9 and traded down to a low for the day of FFr8.35. They closed at FFr8.45 after almost 2 per cent of the company had changed hands.

The media group, Havas, rose FFr11.40 to FFr368.40 ahead of tomorrow's interim results. The shares were also buoyed by remarks from Canal Plus, a leading shareholder, pointing to the need for greater operating focus at Havas.

An upbeat analysts' meeting lifted Buoygues, the construction leader, by FFr9.40 to FFr485. *Renault eased,* dipping 70 centimes to FFr124, with dealers said to be disappointed at the company's responses at the Paris motor show.

Eramet, the New Caledonian mining group, fell to FFr247 following worries about mine disposals. But a clarification from the government sent shares racing ahead to FFr277.80, up FFr11.80.

AMSTERDAM shouldered aside steep falls by a number of leading stocks to edge higher in *subdued trading.* The AEX index closed up 1.69 at 589.15.

Press reports of another imminent round of cost-cutting severely undermined sentiment at KLM and the airline turned in easily the day's worst performance, dipping Fl 1.60, or more than 3 per cent, to Fl 44.30.

VNU came off Fl 1.30 to Fl 271.40 after the publisher and TV group stepped into the bid wrangle *surrounding* Blenheim, a UK conference organiser, snapping up a strategic 14.9 per cent of Blenheim and declaring itself willing to make an outright bid should alternative offers force its hand. Blenheim's name had been linked, notably, with Reed Elsevier and United News and Media in the UK and with a large French shareholder, Générale des Eaux.

Royal Dutch Shell continued to gain ground, adding Fl 4.50 to Fl 283.40 in the wake *of Monday's announcement* of joint venture talks with Texaco.

FRANKFURT came off the bottom as the Dow strengthened, but the Dax index still closed 2.61 lower at 2,702.60, with turnover inching up from DM8.5bn to DM8.7bn.

Corporate winners of the day included Metallgesellschaft, up DM1.80 or 6.6 per cent to DM29.05 after its chairman, Mr Kajo Neukirchen, said that MG expects to achieve its DM300m pre-tax profit target for the year to September. Adidas was DM3.10 better at DM145 after the sportswear company said that it would be the official sponsor for the 1998 football world cup.

Douglas fell *DM2.60, or* nearly 4 per cent, to DM63.20; Bayerische Vereinsbank downgraded the speciality retailer from buy to market neutral after a rise from DM46.50 in January.

ZURICH recovered from a round of mid-session profit-taking and the SMI index finished 4.4 ahead at 3,818.1.

CS Holding was in the spotlight, up SFr1.75 to SFr129.75 on a resurgence of rumours that it was to sell its 45 per cent stake in Elektrowatt. Elektrowatt jumped SFr19 to SFr509.

Clariant, the speciality chemicals group, rose SFr5 to SFr438 as the chairman, Mr Rolf Schweizer, said that he was looking to make a SFr500m-SFr700m acquisition in the specialty chemicals field to offset cyclical risks from its textile dyes business.

Maag, a medium-sized mechanical engineering company, jumped SFr45, or 34.6 per cent, to SFr175 on Monday's news that the group had sold a large part of its industrial business to Sinter Metals of the US.

TAG Heuer, the newly floated watch company, gave up SFr14.25 to SFr227.25.

MILAN overcame early weakness, helped by Wall Street and strength in some individual shares. The Comit index registered a loss of 6.31 to 625.22, while the real-time Mibtel index picked up from a low of *9,917 to finish 9* higher at 9,999.

Benetton jumped L624 to L17,694 as a number of analysts turned positive on the stock after a meeting with the company. Eni continued to shine, up L101 to L7,448 on news that the second tranche of shares to be floated would be smaller than had been expected.

Olivetti recovered some of Monday's 4.9 *per cent fall,* picking up L13.9 to L627.3.

VIENNA showed a 5.1 per cent rise in Austria Mikro Systeme on the view that the semiconductor manufacturer would make a turnaround at its two lossmaking acquisitions. Sames and Thesys.

AMS, Sch42 higher at Sch574m, recently underperformed international semiconductor indices. The ATX index, however, eased 2.9 to 1,070.63, with Mayr-Melnhof, the cardboard manufacturer, the day's biggest loser, down Sch18 to Sch545.

HELSINKI saw Merita take its gains to 16 per cent in five trading days with the A up another 20 penni at FM12.30 following the banking group's US roadshow last week.

The Hex index rose 12.00 to a new 1996 high of 2,219.89. Amer, the sporting goods group with a highly speculative following, rose FM4 to FM106.50 although a Reuters survey of analysts expected a sizeable loss of FM195m when the eight-month figures are reported tomorrow.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

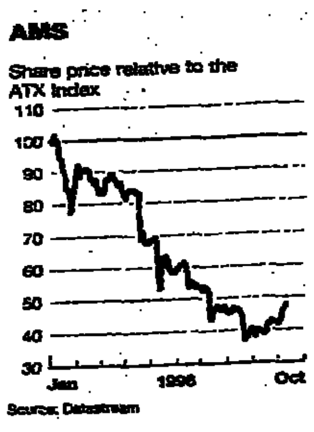
FTSE Actuaries Share Indices

Oct 8							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	1757.33	1758.87	1759.89	1762.10	1758.96	1760.23	1760.82	1762.89
FTSE Eurotrack 200	1805.25	1807.09	1809.08	1807.86	1807.93	1809.89	1810.60	1813.15
	Oct 7	Oct 4	Oct 3	Oct 2	Oct 1			
FTSE Eurotrack 100	1763.88	1754.03	1749.61	1745.79	1731.72			
FTSE Eurotrack 200	1816.22	1808.10	1803.74	1803.57	1789.94			

Base value 1000 (26/10/90). Highs: 100 - [illegible]; 200 - [illegible] Low/day: 100 - [illegible] 200 - [illegible] † Partial.
© FTSE International Limited 1996. All rights reserved.

AMS

Share price relative to the ATX Index



Source: Datastream

Heavy selling of Sampoerna leads Jakarta down

ASIA PACIFIC

Shares in **JAKARTA** closed almost 2 per cent lower after heavy selling of Sampoerna sparked a rush out of leading stocks. The main index *fell 11.53 to 574.78.*

Sampoerna, which makes clove-flavoured cigarettes, dropped Rp2,400 or 11.4 per cent to Rp18,725 as investors reacted negatively to news of a possible debt downgrade by Moody's.

Sampoerna recently announced the purchase of a stake in *Astra International,* the motor group, and the mooted debt review by Moody's was said to be linked to financing for the deal.

TOKYO fell back in sluggish trading as the listing of West Japan Railway (JR West) failed to generate much enthusiasm, *writes Gwen Robinson.*

The Nikkei 225 average closed 122.48 lower at 21,038.53, after moving between 20,968.96 and 21,205.53. Volume rose marginally to 235m shares from Monday's 199m, the year's lowest level.

The Topix index of all first-section stocks fell 9.16 to 1,581.72 and the capital-*weighted Nikkei 300* by 1.73 to 296.01. Declines led advances by 750 to 272 with 208 unchanged.

In London, the ISE/Nikkei 50 index rose 2.39 to 1,432.93.

Traders, who had hoped that the JR West debut stock would bring individual investors back to the market, said participants seemed uncertain about the latest in a string of ill-fated privatisations.

The stock opened at Y360,000, slightly higher than the pre-listing public subscription price of Y357,000 per share, and ended the day at Y367,000, in volume of 83,333 shares.

East Japan Railway (JR East), which listed in October 1983 as the first railway to privatise following the government's break-up of the Japanese National Railways group, shed Y17,000 at Y509,000.

Analysts who had hoped that JR West would add at least Y20,000 or Y30,000 to its offering price – and help firm the market in the near future – expressed disappointment, noting that the government's poor track record on share offerings – including JR East and Japan Tobacco – might have deterred investors. Some cited uncertainty about the economy and the pending general election as other factors dragging on market sentiment.

Carmakers and shipbuilders lost ground. Toyota fell Y60 to Y2,680, Honda Motor Y40 to Y2,680 and Hino Motors Y30 to Y1,050.

Among large-capital shipbuilders, Kawasaki Heavy Industries slipped Y5 to Y519 and Hitachi Zosen Y5 to Y561.

Semiconductor-related stocks rose modestly on fresh expectations of a recovery in the chip market. Fujitsu increased Y20 to Y1,050.

In Osaka, the OSE average shed 69.95 to 21,783.19 in volume of 16.6m shares.

HONG KONG paused after Monday's powerful rally, although investors remained optimistic on the outlook. The Hang Seng index fell 26.31 to 12,106.76, following a 1996 intraday high of 12,179.04, in turnover that slipped to HK$7.1bn.

Hang Seng Bank fell HK$1.75 to HK$84.25 and HSBC Holdings slipped 50 cents to HK$146. *In the property sector,* Cheung Kong and Henderson Land rose 25 cent to HK$61 and HK$68.25 respectively.

SEOUL edged higher, backed by gains in the heavily weighted Posco and Kepco, but late profit-taking in response to Monday's advance *cancelled out much* of an early sharp rise.

The composite index rose 2.29 to 797.62 off an intraday high of 806.12. Posco, the steelmaker, added Won900 to Won43,700 and Kepco, the electricity monopoly, was up Won1,000 to Won26,500.

Analysts said that the market was supported by expectations that the government would unveil measures to stimulate the economy and boost competitiveness at *today's economic ministers'* meeting.

BOMBAY saw strong early demand from the state-owned Life Insurance Corporation; the BSE-30 index finished 24.49 higher at 3,027.35.

However, analysts said that the market, hurt by an economic slowdown and *political uncertainties,* lacked follow-up support which was likely to make the recovery short-lived.

BANGKOK closed higher on late bargain-hunting, the SET index ending up 11.71 at 956.34 after an intraday low of 919.52 and a 15 per cent fall over the preceding five sessions. There was said to be heavy mutual fund buying of leading bank and finance issues.

Yesterday's upturn appeared to be linked to an announcement by the Thai finance minister late in the session that he intended to ask local mutual funds and the two market support funds to help shore up the stock market.

KARACHI suffered a wave of selling as investors ran *for cover in the face of political and economic unrest.* The 100-share index fell more than 2 per cent, closing 33 down at 1,364.49.

Pakistan Telecom was at the forefront of the shake-out. The stock came off 1.65 rupees to 31.85 rupees.

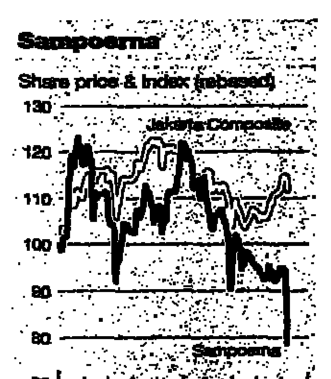
MANILA added to Monday's losses, the composite index falling by almost 3 per cent. At the close, it stood at 3,037.54, down 83.49. The property sector continued to lead the way down.

WELLINGTON drifted lower on modest profit-taking ahead of this weekend's general election. The 40 capital index, which reached a 30-month best on Monday, came off 9.38 to 2,265.38. National Mutual made a brisk debut, closing at NZ$2, a premium of 30 cents.

SYDNEY closed lower amid general profit-taking and selling of resource stocks. The All Ordinaries index closed down 8.1 at 2,331.7.

Sampoerna

Share price & index (rebased)



Source: Datastream

Caracas remains weak

CARACAS saw a continuation of Monday's profit-taking, taking the IBC index down 180.75, or 2.9 per cent, to 6,139.99 by mid-session. The consolidation followed the bull run that propelled the market 17 per cent higher *in the 10 sessions* up to last Friday.

BUENOS AIRES extended its eight-day rally, with the Merval index picking up 5.84 to 584.90 by mid-session, tracking the performance of the bellwether YPF whose ADRs were higher in New York after a recommendation from Latinvest.

● Latin America's oil sector, sharply higher on the back of rising oil prices, may consolidate in the short term and is vulnerable to a price *correction next year, according* to Kleinwort Benson. In a note to investors outlining its expectations for third-quarter results, Kleinwort noted that the sector had rebounded by 11 per cent since July.

S Africa consolidates gains

Another solid run for Johannesburg pushed the overall index up by 10.5 to 7,046.8 to extend its rally to *six straight sessions. Industrials* added 12.7 to 8,258.4 and golds gained 18.6 to 1,746.5.

There was disappointment with the day's run of economic data, with August inflation edging higher and the business confidence index dipping to a year's low. But the bullion price was perkier, climbing back *above $380 in London.*

South African Breweries reflected the better tone, adding 75 cents to R1.22. There was heavy trading in Iscor where 3.2m shares changed hands. The stock added three cents to R3.04.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	MONDAY OCTOBER 7 1996								FRIDAY OCTOBER 4 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (79)	210.59	0.8	199.66	148.11	167.55	178.05	1.1	4.28	209.26	198.49	147.56	166.40	176.17	212.18	179.77	184.44
Austria (24)	180.39	-0.4	171.03	126.87	143.52	143.41	-0.3	1.96	181.09	171.77	127.70	144.00	143.88	195.04	168.11	180.18
Belgium (27)	217.57	-0.6	206.28	153.01	173.10	169.12	-0.6	3.94	218.92	207.66	154.38	174.09	170.17	221.99	190.88	192.93
Brazil (28)	181.26	-0.1	171.88	127.49	144.24	341.20	-0.0	1.90	181.44	172.11	127.95	144.29	341.20	189.70	123.97	148.59
Canada (116)	175.50	0.7	166.40	123.43	139.64	171.98	0.6	2.07	174.29	165.32	122.91	138.60	171.04	175.50	134.14	144.84
Denmark (30)	326.14	0.4	309.22	229.37	259.49	259.97	0.3	1.77	324.98	308.26	229.17	258.43	259.23	326.14	276.89	279.48
Finland (23)	218.61	-0.9	207.27	153.75	173.93	209.64	-0.8	2.38	220.60	209.25	155.56	175.42	211.40	253.37	171.73	251.22
France (93)	198.72	0.1	188.41	139.76	158.11	161.23	0.0	3.01	198.51	188.30	139.99	157.86	161.26	198.72	167.70	171.22
Germany (58)	179.94	0.5	170.61	126.55	143.17	143.17	0.6	1.71	179.04	169.83	126.26	142.38	142.38	179.94	155.66	158.15
Hong Kong (59)	459.52	1.7	435.68	323.18	365.61	456.16	1.7	3.41	451.73	428.49	318.55	359.22	448.46	459.52	354.67	384.14
Indonesia (27)	211.08	0.0	200.13	148.45	167.94	300.68	0.0	1.67	211.01	200.15	148.80	167.80	300.70	-	-	-
Ireland (16)	308.44	0.1	292.44	216.92	245.41	271.42	-0.1	3.31	308.26	292.40	217.38	245.14	271.73	308.44	241.27	246.47
Italy (58)	78.78	-1.1	74.69	55.40	62.68	89.28	-1.4	2.30	79.65	75.56	56.17	63.34	90.54	84.53	67.22	74.58
Japan (480)	144.37	0.1	136.88	101.53	114.87	101.53	-0.1	0.76	144.18	136.76	101.67	114.66	101.67	164.68	137.75	147.84
Malaysia (107)	579.08	0.1	549.03	407.26	460.73	557.78	0.1	1.18	578.71	548.94	408.10	460.20	557.16	585.09	425.77	482.58
Mexico (27)	1279.94	-0.7	1213.52	900.16	1018.36	10531.32	-0.8	1.33	1289.25	1222.93	909.16	1025.24	10613.60	1325.65	791.99	1075.29
Netherland (19)	308.70	0.8	292.68	217.10	245.61	241.93	0.8	3.05	306.31	290.56	216.01	243.59	239.91	308.70	251.81	257.82
New Zealand (15)	87.97	0.5	83.40	61.87	69.99	67.48	1.5	4.07	87.56	83.06	61.75	69.63	66.46	87.97	75.94	78.16
Norway (35)	260.10	0.2	246.60	182.92	206.94	229.69	0.2	2.21	259.57	246.22	183.04	206.41	229.25	260.10	222.24	231.69
Philippines (22)	196.45	-1.4	186.25	138.16	156.30	257.09	-1.4	0.63	199.22	188.97	140.49	158.43	260.52	-	-	-
Singapore (43)	383.80	-2.2	363.88	269.92	305.36	249.65	-2.1	1.12	392.28	372.10	276.63	311.95	255.12	465.21	361.94	376.87
South Africa (44)	352.26	0.3	333.98	247.74	280.27	349.28	0.2	2.20	351.35	333.28	247.77	279.40	348.61	437.76	314.20	357.11
Spain (37)	183.33	0.2	173.82	128.94	145.87	178.72	0.2	3.29	182.93	173.52	129.00	145.47	178.42	183.85	145.15	145.92
Sweden (48)	389.67	0.7	369.45	274.05	310.04	381.50	0.5	2.25	387.12	367.21	272.99	307.85	379.44	389.67	294.19	308.41
Switzerland (37)	248.35	0.4	235.47	174.66	197.60	193.33	0.3	1.53	247.44	234.71	174.49	196.77	192.64	254.34	217.24	217.24
Thailand (45)	119.32	-8.9	113.13	83.92	94.94	117.85	-8.8	2.91	130.92	124.19	92.33	104.11	129.24	193.95	119.32	168.89
United Kingdom (213)	253.76	0.2	240.60	178.47	201.90	240.60	0.2	3.92	253.24	240.21	178.58	201.38	240.21	253.76	220.85	225.66
USA (624)	286.55	0.2	271.66	201.53	227.99	286.55	0.2	2.07	285.87	271.16	201.59	227.32	285.87	286.55	236.38	238.56
Americas (795)	262.12	0.2	248.52	184.35	208.55	220.30	0.2	2.06	261.47	248.02	184.38	207.93	219.77	262.12	215.17	218.07
Europe (718)	221.65	0.2	210.15	155.89	176.35	193.47	0.2	2.95	221.16	209.78	155.96	175.87	193.12	221.65	191.44	193.98
Nordic (136)	331.94	0.4	314.72	233.45	264.10	286.10	0.3	2.19	330.75	313.74	233.24	263.02	285.28	331.94	261.13	284.81
Pacific Basin (876)	159.58	0.2	151.30	112.23	126.97	113.86	0.0	1.23	159.26	151.09	112.32	126.66	113.86	177.01	148.66	158.40
Euro-Pacific (1594)	185.32	0.2	175.70	130.33	147.44	143.88	0.1	2.09	184.94	175.42	130.41	147.07	143.74	190.57	166.51	173.13
North America (740)	279.81	0.3	265.29	196.79	222.63	278.98	0.2	2.07	279.08	264.73	196.80	221.93	278.25	279.81	230.17	232.77
Europe Ex. UK (505)	199.41	0.2	189.06	140.24	158.66	166.08	0.2	2.40	198.95	188.71	140.30	158.21	165.77	199.41	170.51	172.91
Pacific Ex. Japan (396)	295.38	0.4	280.03	207.72	235.00	255.22	0.5	2.93	294.21	279.08	207.47	233.96	253.84	296.68	243.59	259.00
World Ex. US (1809)	187.25	0.2	177.54	131.69	148.98	148.90	0.1	2.08	186.85	177.24	131.76	148.59	148.74	191.55	167.36	174.14
World Ex. UK (2220)	214.87	0.2	203.72	151.11	170.96	183.30	0.2	1.88	214.38	203.35	151.18	170.48	183.00	214.87	185.61	190.78
World Ex. Japan (1953)	257.75	0.2	244.38	181.27	205.08	243.94	0.2	2.42	257.11	243.88	181.31	204.46	243.35	257.75	217.26	219.73
The World Index (2433)	218.23	0.2	206.91	153.48	173.63	186.47	0.2	2.08	217.74	206.54	153.55	173.15	186.16	218.23	186.67	193.83

Latest prices were unavailable for this edition.